

Northern Utilities, Inc. New Hampshire Division

Revised 2008-2009 Winter Period Cost of Gas Filing DG 08-115

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COG Revision

The revised COG calculation of \$1.2636 per therm reflects several revisions, updates or corrections.

The first revision or update relates to revising the commodity costs based on updated NYMEX prices as of October 8, 2008. The original filing reflected NYMEX prices as of August 29, 2008 which, on average, are approximately \$1.56 per MMBtu higher than the updated October 8th prices.

Also reflected in the revised commodity costs is the dispatching of the Portland Natural Gas Transmission System ("PNGTS") in-kind volume reimbursement at no cost.¹ Considering that the reimbursed volumes allocated to the New Hampshire Division from November 2008 through April 2009 are 128,438 MMBtu and that the average pipeline unit commodity cost for the period is \$7.77 per MMBtu, the approximate (estimated) credit or reduction in commodity costs projected for the 2008-09 Winter Period is \$997,000. Please note, however, that since Northern needed to rerun its dispatch model to reflect certain pipeline volumes at no cost, and while such re-dispatching primarily impacted pipeline volumes, other supply sources were impacted by the re-dispatching. Thus, it is quite difficult to estimate a definitive amount of savings resulting from this reimbursement of volumes at no cost.

Next the original filing demand costs were revised. Product demand resources were correctly re-designated as peaking demand slightly reducing demand charges allocated to New Hampshire. Also, fixed capacity related costs now reflect an estimate for asset management credits of \$2,400,000 (total Northern), of which \$1,195,534 is projected to be allocated to the New Hampshire Division, and which directly reduces estimated costs for Northern customers. Finally, the Granite State Gas Transmission (GSGT) demand rate of \$1.2639 per Dth has been updated to reflect the tariff recourse rate of \$1.6666 per Dth, to which GSGT and Northern have agreed effective November 1, 2008. This will increase demand costs allocated to the New Hampshire division by about \$240,000.

¹ Under separate letter dated September 23, 2008, Northern reported to the Commission the final resolution of the Spectra metering error that occurred from July 2005 through November 2007. Such resolution was for PNGTS to reimburse Granite State Gas Transmission ("Granite State") in-kind for the over-metered volumes of 758,702 MMBtu over an 18-month period, and in turn Granite State to pass through these volumes to Northern through the existing Operational Balancing Agreement between Granite State and Northern.

Revised schedules in this filing are separated into several sections. These sections include: Tariff Sheets, Gas Cost Exhibits, Allocation Exhibits, Miscellaneous and Revised Reconciliation. Included in the miscellaneous section are: supplier prices, inventories, hedging and PNGTS in-kind refund support. These revisions have resulted in a decrease in winter 2008-2009 forecasted demand costs of \$1,535,394 from \$13,765,302 and a decrease in winter 2008-2009 forecasted commodity costs of \$3,192,802 from \$38,428,301 reflected in the September 15, 2008 filing. Included in the commodity cost decrease is an increase of \$800,916 in negative hedged positions to \$1,451,979. The method of calculating the interest for the reconciliation was revised to use a monthly rate instead of a quarterly rate. The ERC rate was revised to use corrected annual volumes and the RLIAP rate was revised to reflect the estimated participation level throughout the upcoming year and current estimated under collection at October 31, 2008. These revisions are reflected on the Local Delivery Adjustment Clause (LDAC) tariff sheet.

Revised residential monthly and annual typical bill comparisons reflecting the updated proposed COG rate are included with this filing. Winter season residential bills at typical use are expected to increase \$167 (an average of \$28 per month) or 11.86% from those experienced in winter 2007-2008.