

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

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EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland

October 11, 2007

RE: DE 07-072, Gas and Electric Indirect Costs – Carrying Charge Rate Regarding Supply
Related Cash Working Capital
Order No. 24,793

To the Parties:

Enclosed is revised page 5 of Order No. 24,793 (September 27, 2007). On page 5, line 17, "Northern" has been changed to "Unitil." All other portions of this order remain unchanged.

Please substitute the enclosed revised page to your copy of Order No. 24,793.

Very truly yours,

A handwritten signature in cursive script that reads "Debra A. Howland".

Debra A. Howland
Executive Director and Secretary

Enclosure
cc: Service List
Docket File

D. Granite State

Granite State concurred with EnergyNorth's statement of position and emphasized that its overall cost of capital is the appropriate carrying charge rate for supply-related working capital, notwithstanding the Commission's approval of the use of Granite State's prime rate as the carrying charge on cash working capital associated with the procurement of default service. Although Granite State's position in the prior docket was the result of negotiations with Staff, it said in a full rate case it would urge the use of its overall cost of capital.

E. Unitil

Unitil noted that although the Commission recently ordered the Company to apply the prime rate to its supply-related cash working capital in Docket No. DE 06-123, Unitil continues to believe, consistent with the positions of the other utilities, that its overall cost of capital, grossed up for taxes, is the appropriate rate to use for all working capital. According to Unitil, however, it is not premature to include the electric utility companies in this docket.

For Unitil, the risk of recovery is not the sole basis on which to decide the carrying charge rate for cash working capital. The sources of cash working capital for supply-related needs are the same sources for all capital raised by any utility, i.e., equity, long-term debt and short-term debt. Unitil stated that the cost of working capital, when included in rate base, is the weighted average cost of the various sources of capital, which does not change when recovery is moved from base rates to the default service charge. In this case, the utility does not recover less when recovery is obtained through the default service charge because the risk of recovery is less. In Unitil's view, the issue of risk is addressed when the overall cost of capital is set. Unitil continued that its cost of capital was established pursuant to a settlement that contemplated moving certain costs to the default service charge. According to Unitil, setting the

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Docket #: 07-072 Printed: October 11, 2007

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),

WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:

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