

THE STATE OF NEW HAMPSHIRE



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August 7, 2007



Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

Re: DG 07-072 Carrying Charge on Cash Working Capital
Report of July 25, 2007 Technical Session

Dear Ms. Howland:

This letter constitutes Staff's report of the technical session which followed the prehearing conference on July 25, 2007. The parties present for the prehearing conference also attended the technical session.

The parties reviewed the status of George McCluskey's designation as staff advocate in Docket No. DG 07-033, Northern Utilities, Inc., 2007 Summer Season COG. In that docket and in Docket No. DG 07-050, the Commission notified the parties on May 23, 2007 that it would open a separate investigation to resolve for both Northern and EnergyNorth the issue of an appropriate interest rate to be charged for gas supply cash working capital. A week later, on May 30, 2007, Northern filed a motion with the Commission to designate attorney F. Anne Ross and George McCluskey as staff advocates in DG 07-033. By secretarial letter dated June 1, 2007, the Commission granted the motion.

Based on the record in DG 07-033, it is apparent that the request for designation by Northern and the Commission's approval of the designation of Mr. McCluskey was limited to DG 07-033 and did not extend to the issue of an appropriate interest rate to be charged for gas supply cash working capital. Thus, Mr. McCluskey is not presently designated in respect to the present docket, the central issue of which concerns the appropriate interest rate to be charged for supply-related cash working capital.

The parties and Staff also discussed EnergyNorth's proposal for splitting the docket into two phases. As EnergyNorth explained its phasing proposal at the prehearing conference and the technical session, the first phase would be limited to the issue of whether the cash working capital for supply costs would earn the company's overall cost of capital or a short term debt rate (without specifying the type of short term debt rate). If the Commission ruled in the first phase that a short term debt rate should be used, the second phase would determine what short term debt rate each utility should use. On the other hand, Staff proposed a proceeding that consisted of a single phase to address whether the overall cost of capital or the short term debt rate should be used for calculating the cost of cash working capital.

The parties and Staff also discussed which parties—proponents of using the overall cost of capital or opponents—should file their testimony first.

No agreement was reached on the phasing proposal or on which parties should file their testimony first. Consequently, no agreement was reached on a recommended procedural schedule. The parties and Staff did agree, however, that preliminary motions, such as any motions for designation, PSNH's motion to dismiss, and requests for phasing and order of testimony, should be filed with the Commission on or before August 15, 2007, with the expectation that the Commission would rule on them in a prehearing conference order or a secretarial letter. Once the Commission rules on these matters, Staff expects that the parties and Staff would be able to file a recommended procedural schedule.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Edward N. Damon".

Edward N. Damon
Staff Attorney

cc Service List