

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

Re: KeySpan Energy Delivery New England/ Northern Utilities, Inc.  
Docket No. DG 07-072

**JOINT OBJECTION TO  
STAFF'S MOTION REGARDING PROCEDURAL SCHEDULE**

EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy New England ("KeySpan") and Northern Utilities, Inc. ("Northern") hereby object to Staff's Motion Regarding Procedural Schedule. In support of their objection, KeySpan and Northern state as follows:

1. KeySpan and Northern incorporate by reference the points made in their Motion to Bifurcate filed on August 15, 2007, and therefore will not repeat those arguments here. KeySpan and Northern continue to believe that the most appropriate and administratively efficient way to conduct this proceeding is in two phases. In addition, as Staff has apparently agreed to do, Staff should file its testimony first.
2. The purpose of this objection is to point out Staff's fundamental misunderstanding regarding KeySpan and Northern's proposal to address the issue of whether a short term debt rate should be used in determining the return on cash working capital, before the Commission conducts an investigation of a specific debt rate that should be used for each utility.
3. KeySpan and Northern have repeatedly confirmed to Staff that, even in a two phased proceeding, Staff would be free to inquire during discovery in the first phase as to the source of funds used to finance working capital. Contrary to Staff's assertion in paragraph 6 of its Motion (i.e. that Staff "would apparently be prohibited during the first phase from asking questions on source-of-funds issues"), the companies understand that

the source of funds is part of the basis for the Staff's position that working capital should earn a short term rate of return, and therefore agree that funding sources are an appropriate area of inquiry during the first phase of this proceeding.

4. What KeySpan and Northern believe would be irrelevant to the first phase of this proceeding is an inquiry into the specific cost of those funds, which can vary on a daily basis in addition to varying from utility to utility. Discovery on this point would be burdensome and potentially completely unnecessary if the Commission were to determine, as a threshold matter, that it would be inappropriate to depart from the Commission's long-standing practice of applying each company's respective overall weighted average cost of capital to gas supply working capital.

5. If adopted, Staff's proposal would involve an unnecessarily broad scope of discovery that would delay resolution of the threshold issue in this case and add expense and administrative burden to this proceeding, neither of which are in the public interest.

6. Staff's motion also incorrectly characterizes the issue in this case as being the justness and reasonableness of the "carrying charge rate that utilities use to calculate the cost to finance their supply-related cash working capital." Motion at 2. It is this basic misstatement of the issue before the Commission that has led Staff to the erroneous recommendation it has already put forward with regard to Northern in Docket DG 07-033. KeySpan and Northern will address the problem with Staff's proposal in this regard when they file their testimony. Because they believe Staff's misunderstanding of the appropriate regulatory treatment of the return on cash working capital has a dispositive effect on the issues in this case, they strongly encourage the Commission to conduct this proceeding in two phases in order to expedite its conclusion and limit the expense and time involved.


WHEREFORE, KeySpan and Northern respectfully request that the Commission grant their Joint Motion to Bifurcate and deny Staff's Motion to the extent that it seeks a single phase proceeding.

Respectfully submitted,

**EnergyNorth Natural Gas, Inc. d/b/a  
KeySpan Energy Delivery New England**


By its Attorneys

Date: August 24, 2007

  
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**Northern Utilities, Inc.**

By its Attorneys

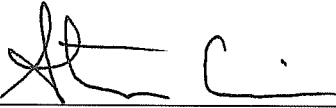
Date: August 24, 2007

  
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Date: August 24, 2007

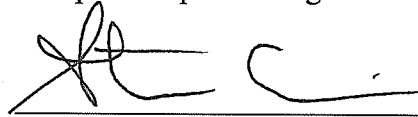
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Objection has been forwarded this 24<sup>th</sup> day of August, 2007 to the service list in the above-captioned proceedings.

  
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