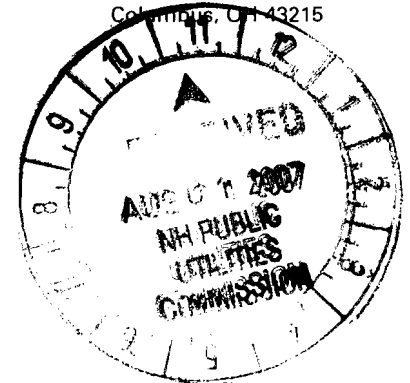


July 31, 2007

Ms. Debra Howland
Executive Director and Secretary
Public Utilities Commission
State of New Hampshire
21 S. Fruit St.
Concord, NH 03301

200 Civic Center Drive
Columbus, OH 43215



Re: Northern Utilities, Inc. – New Hampshire Division, 2006-2007 Winter Period Cost of Gas (COG) Adjustment Reconciliation

Dear Ms. Howland:

Enclosed are an original and eight copies of Northern Utilities' 2006-2007 winter period COG reconciliation analysis. The objective of this analysis is to identify the causes of the winter period 2006-2007 over-collection.

Form III, Schedules 1 through 5 of the filing, enclosed, contain the accounting of six months of costs assigned to the winter period collections. The schedules illustrate the Company's over-collection of \$2,658,460. Schedule 1, page 1, provides the summary of the winter period ending balance. Schedule 2 shows the deferred gas cost activity, allowable costs and revenues for the period May 2006 through May 2007, including \$333,248 in net interest. Schedule 3, page 1, shows the summary of winter period gas cost collections, while Schedule 3, pages 2 through 8 illustrates the gas cost collections for each individual month. Schedule 4, pages 1 through 3, shows the monthly detail of purchase gas costs allocated to the winter period. Schedule 5 presents the purchased and made volumes in Dekatherms ("Dths") by supplier, metered sendout at Northern-NH's gate stations, as well as sales volumes by Residential and Commercial & Industrial customer classification for the annual period of May 2006 through April 2007. The resulting difference between sendout and sales volumes is shown for this twelve-month period.

Attachment A presents the reconciliation of the working capital costs allowable based on direct gas costs. The over-collection of \$2,593 will be reflected on Revised Page 39 of Northern's Tariff No. 10 as an addition to the costs used to calculate the COG rate.

Attachment B shows the reconciliation of the bad debt expenses, which are allowed based on gas costs and the working capital allowance. The over-collection of \$1,461 will also be reflected on Revised Page 39 of Northern's Tariff No. 10 as an addition to the costs used in calculating the COG rate.

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Attachment C presents the interruptible profits by month. A total of \$7,919 of interruptible profits has been recognized for May 2006-April 2007. The \$7,919 has been deducted from the Winter Period Costs.

Attachment D reconciles the Environmental Response Costs as well as a true-up of the estimates used for June-October 2006 and an estimate for July-October 2007.

Attachment E reconciles the RLIAP program costs and recoveries. The projected over recovery of \$80,319 will be reflected in a revision to the RLIAP recovery rate of \$0.0050 per therm.

Attachment F details the sales variance analysis. Of the 211,048 MMBtu less than forecasted sales variance, warmer than normal weather resulted in a 54,013 MMBtu decrease in sales, leaving a weather normalized sales variance of 157,035 MMBtu. The remaining sales variance is the result of greater than forecasted customer counts more than offset by a decrease in the average usage per customer

Please do not hesitate to contact me if you have any questions regarding these reconciliation schedules.

Sincerely,



Ronald D. Gibbons
Manager of Regulatory Accounting

Enclosures

cc: Ann Ross, Esq., Office of the Consumer Advocate
Joseph A. Ferro, Northern Utilities, Inc.
Patricia M. French, Esq., NCS
Melissa Bell, NCS