



January 29, 2008

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

Concord, NH 03301

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

Dear Ms. Howland:

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

Form III, Schedules 1 through 5 of the filing, attached, contain the accounting of six months of costs assigned to the summer period collections. The schedules illustrate the Company's over-collection of \$92,816. Schedule 1, page 1, provides the summary of the summer period ending balance. Schedule 2 shows the deferred gas cost activity, allowable costs and revenues for the period December 2006 through November 2007, including (\$22,425) in net interest. Schedule 3, page 1, shows the summary of summer 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 summer 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 November 2006 through October 2007. The resulting difference between sendout and sales volumes is shown for this twelve-month period. This schedule will be provided upon final resolution of the Unaccounted For Gas investigation. The investigation has uncovered a problem with multiplier at the Newington meter. The revision of volumes flowing through the Newington meter will have a material impact on Schedule 5. Therefore, this schedule will not be provided until this revision has been made.

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Attachment A presents the reconciliation of the working capital costs allowable based on direct gas costs. The under-collection of \$24 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 \$474 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.

Attachment C details the sales variance analysis. Of the 41,560 MMBtu less than forecasted sales variance, colder than normal weather resulted in a 59,873 MMBtu increase in sales, leaving a weather normalized sales variance of 18,313 MMBtu. The remaining sales variance is the result of greater than forecasted average usage per customer more than offset by a decrease in customer counts.

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

Sincerely,

Ronald D. Gibbons
Ronald D. Gibbons (SSG)
Manager of Regulatory Accounting

Attachments

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