

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 13-261

NEW HAMPSHIRE GAS CORPORATION

Revised 2013-2014 Winter Cost of Gas

Order Approving Revised Cost of Gas Rate

ORDER NO. 25,632

February 26, 2014

APPEARANCES: Brian R. Maloney of Rochester Gas & Electric Corporation, *pro se*, on behalf of New Hampshire Gas Corporation and Alexander F. Speidel, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On January 27, 2014, New Hampshire Gas Corporation (NHGC or the Company), a public utility that distributes propane-air gas in Keene, filed a proposed revised cost of gas (COG) rate for non-Fixed Price Option (FPO) customers for the remainder of the 2013-2014 winter season, March 1, 2014 through April 30, 2014, beyond the approved maximum COG rate. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Brian R. Maloney, a Lead Analyst for Rochester Gas & Electric Corporation, an affiliate that provides the Company with management services. *See* Hearing Exhibit 2. A supplemental order of notice was issued on January 28, 2014, and a hearing was held on February 13, 2014 as scheduled. There were no intervenors in this docket; a comment letter was filed by Rich Kalich via e-mail on February 11, 2014.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

NHGC addressed the calculation of the proposed revised COG rate and customer bill impacts as well as the reasons for the rate increases, through Mr. Maloney's pre-filed written testimony, and his additional oral testimony at the February 13, 2014 hearing, provided via videoconference. Mr. Maloney testified that the mid-course increase was necessary because the Company was experiencing significant increases in propane gas commodity costs in recent months, related to shortages of propane in the northern United States, and the increases were expected to continue throughout the remainder of the winter COG period. *See* Hearing Exhibit 2; *see also* Transcript of February 13, 2014 Public Hearing (Tr.) at 8. On February 1, 2014, the Company increased its initially approved non-FPO COG rate to the maximum allowed by Order No. 25,588 (October 29, 2013), that is, 25 percent above the approved COG rate, or \$2.0981 per therm. The proposed revised COG rate will enable NHGC to ameliorate a potentially large under-collection for the 2013-2014 winter COG period, which NHGC expects to amount to approximately \$180,000 if no COG rate adjustment were made. Hearing Exhibit 2; Tr. at 9.

In its filing, as supplemented by Mr. Maloney's testimony at hearing, the Company outlined its request for a mechanism for increased COG rates for March and April of 2014, and for additional adjustments to the increased COG rates. NHGC's filing proposes a revised COG rate of \$2.5355 per therm, for effect as of March 1, 2014. The Company further requested an adjustment mechanism for the COG rates effective March 1, 2014 and April 1, 2014, in which, following five business days' notice to the Commission, the Company would be able to adjust the COG rate upward by 5 percent, or downward by an unlimited amount, to target a specific under-

collection target figure for the remainder of the winter 2013-2014 COG period (March and April 2014). Tr. at 13-17. NHGC testified that this proposed revised rate of \$2.5355 per therm for the remainder of the 2013-2014 winter COG season, when combined with past COG rate adjustments, would have the result of increasing non-FPO residential customers' heating bills by approximately \$327 for the entire winter heating season, or 22 percent, compared to the COG rates in place during the 2012-2013 winter heating season.

B. Staff

Staff recommended approval of the proposed revised COG rate of \$2.5355 per therm, to take effect as of March 1, 2014, for the Company's non-FPO customers, to avoid a potentially large over-collection, and to enable NHGC to remain competitive with Keene-area propane dealers. Tr. at 27-28. Staff did not support the Company's proposal for a 5 percent upward adjustment mechanism for the month of March 2014, as impractical, instead recommending that a fixed rate of \$2.5355 per therm be implemented for March, with a 5 percent upward, and unlimited downward, adjustment collar in the COG rates to be approved for the month of April, to be submitted to the Commission five business days in advance, through the usual COG reconciliation filing. Tr. at 28. Staff recommended that this April adjustment be allowed at the Company's own discretion, without a specific over-collection figure being targeted. *Id.*

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed adjustment in the winter 2013-2014 COG rate to \$2.5355 per therm, to take effect as of March 1, 2014, as a just and reasonable rate pursuant to RSA 378:7. Though we are mindful of the tremendous burden these increases place on customers, the Company is legally entitled to recovery of these

costs. The Company earns no profit on the gas component of its bills and demonstrated that it has done what it can to minimize gas cost increases for its customers. With the increases in the propane gas commodity prices, the Company's gas costs have increased to a point where revising the rates now is a preferable alternative to creating an under-collection to be paid off, with interest, next winter. We agree with Staff that an adjustment collar mechanism for the month of March, given timing issues, would be impractical; however, we do approve a 5 percent upward, and unlimited downward, collar for the COG rate for rates effective April 1, 2014, with the requirement that the Company provide the Commission notice of the April adjustment at least five business days in advance, as part of its usual monthly COG reconciliation filing. The winter rate will be replaced by a summer cost of gas rate effective May 1, 2014, after Commission review of the Company's summer cost of gas filing.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed revised 2013-2014 winter season COG rate of \$2.5355 per therm for non-FPO customers for the period March 1, 2014 through April 30, 2014 is **APPROVED**, effective for bills rendered on or after March 1, 2014; and it is

FURTHER ORDERED, that that NHGC may, without further Commission action, adjust the approved COG rate of \$2.5355 per therm upward by no more than 5 percent or downward by an unlimited amount, at its own discretion, based on NHGC's calculation of the projected over- or under-collection for the period, for the COG rate effective as of April 1, 2014; and it is

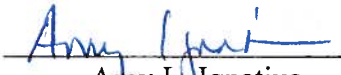
FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over- or under-calculation, along with the resulting revised COG rate

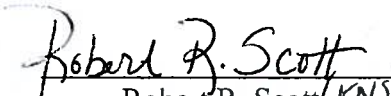
for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 24 - Calculation of Cost of Gas and revised tariff pages to be filed under separate cover letter if NHGC elects to adjust the COG rate pursuant to the terms of this Order; and it is

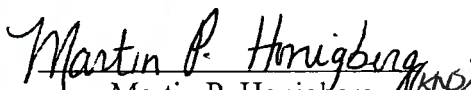
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the monthly prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted each month; and it is

FURTHER ORDERED, that that NHGC shall file properly annotated tariff pages in compliance with this Order no later than 15 days from the issuance date of this Order, as required by N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of February, 2014.


Amy L. Ignatius
Chairman


Robert R. Scott (KNS)
Commissioner


Martin P. Honigberg (KNS)
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.