

DG 01-029

NORTHERN UTILITIES, INC. - PELHAM DIVISION

2000/2001 Revised Winter Cost of Gas

Order Revising the Cost of Gas

O R D E R    N O.    23,642

February 23, 2001

**APPEARANCES:** Joseph A. Ferro, on behalf of Northern Utilities, Inc. and Larry S. Eckhaus, Esq., for the Staff of the New Hampshire Public Utilities Commission.

**I.    PROCEDURAL HISTORY**

On February 9, 2001, Northern Utilities, Inc. - Pelham Division (Northern), a utility serving 18 commercial customers located in Pelham, New Hampshire and supplied by wholesale propane through one 19,000 gallon tank, filed with the New Hampshire Public Utilities Commission (Commission) modifications to its tariff providing for a revised Winter Cost of Gas (COG) rate for the period March 1, 2001 through April 30, 2001. The filing included a cover letter and supporting schedules.

By Order of Notice issued February 9, 2001, the Commission scheduled the date of the hearing for February 22, 2001 and set deadlines for intervention requests and objections thereto. There were no Motions to Intervene filed.

On February 22, 2001, Northern filed a revised proposed COG. The revised filing corrected an error in the cost calculations and updated the projected propane prices based on the most recent futures prices, decreasing the proposed Revised Winter COG rate to \$1.3793 per therm from the \$1.4228 per therm rate proposed in the original February 9, 2001 filing. A duly noticed hearing on the merits was held on February 22, 2001.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Northern**

Northern's witness Joseph A. Ferro, Manager of Regulatory Policy, addressed the following issues: 1) calculation of the COG rate and the impact on customer bills; and 2) reasons for filing a revised COG and factors contributing to the increased rate.

#### **1. Calculation and Rate Impact of the Proposed COG Rate**

The proposed revised 2000/2001 Winter COG rate of \$1.3793 per therm was calculated by updating the cost and sales projections used to establish the 2000/2001 Winter COG rate, approved in Commission Order No. 23,582 (October 31, 2000) in Docket DG 00-195, to reflect actual gas costs, gas cost revenues for the prior months and current gas cost projections for the remaining winter

months (sales projections remain unchanged).

Northern's proposed revised 2000/2001 Winter COG rate of \$1.3793 per therm represents an increase of \$0.2555 per therm from the February 2001 COG rate of \$1.1238 per therm.

The Pelham Division is made up of eighteen (18) commercial customers and the proposed COG rate of \$1.3793 per therm will increase the monthly bill of a customer consuming 500 therms by \$127.75 (or 17.7%).

## **2. Reasons for Revised COG Filing and Increased Rate**

Since the September 15, 2000 COG filing on which the 2000/2001 Winter COG rate was based, there have been substantial increases in the actual and projected propane prices throughout the winter period. Due to those higher than anticipated propane prices, Northern has forecasted an under collection of \$4,469, or approximately 6.3%, if rates remain unchanged. Northern is currently at the maximum allowed rate approved by the Commission for the period. To avoid such a substantial under collection, Northern filed the proposed revised 2000/2001 Winter COG rate.

### **B. Staff**

At the hearing, Staff stated its support for the proposed revised 2000/2001 Winter COG rate of \$1.3793 per therm.

**III. COMMISSION ANALYSIS**

After reviewing the record, we conclude that the proposed revised 2000/2001 Winter COG rate of \$1.3793 per therm will result in just and reasonable rates and is hereby approved. The revised COG rate accurately reflects current market conditions and will avoid artificially inflated 2001/2002 winter COG rates by eliminating or reducing the projected under collection for the current period, which would otherwise be carried forward for recovery through those rates.

**Based upon the foregoing, it is hereby**

**ORDERED,** that Northern Utilities, Inc. - Pelham Division's proposed revised Winter COG rate of \$1.3793 per therm for the period March 1, 2001 through April 30, 2001 is APPROVED effective for bills rendered on or after March 1, 2001; and it is

**FURTHER ORDERED,** that Northern may, without further Commission action, adjust the approved COG rate upward or downward monthly based on Northern's calculation of the projected over or under-collection for the period, but the cumulative adjustments shall not exceed twenty percent (20%), or \$0.2759 per therm, of the approved unit cost of gas; and it is

**FURTHER ORDERED,** that Northern 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. Northern shall include a revised tariff page 33 - Calculation of Cost of Gas and revised rate schedules if Northern elects to adjust the COG rate; and it is

**FURTHER ORDERED,** that the over or under-collection shall accrue interest at the Prime Rate reported in the *Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first date of the month preceding the first month of the quarter; and it is

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

By order of the Public Utilities Commission of New Hampshire this twenty-third day of February, 2001.

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Douglas L. Patch  
Chairman

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary