

DG 02-099

ENERGYNORTH NATURAL GAS, INC.
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND

**Petition for Approval of Tariff Changes
and Rate Reduction**

Order Nisi Approving Tariff Changes and Rate Reduction

O R D E R N O. 23,987

June 7, 2002

The Petitioner, EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England (KeySpan)¹, filed a petition on May 17, 2002 to modify its tariff to allow for more accurate customer billing and a slight rate reduction to ensure revenue neutrality, to be implemented on a bills rendered basis effective July 1, 2002.

KeySpan is converting to a new customer information system which calculates monthly customer bills based on the actual number of days in the billing period. Currently, rates are based on a monthly 30-day billing cycle (with 12 cycles occurring over the course of a year), but in fact billing cycles vary and are usually not exactly 30 days long. Because the new billing methodology will use the actual number of days in the billing period, it will produce a small increase in the

¹ On November 8, 2000, KeySpan acquired Eastern Enterprises (Eastern) and Eastern acquired EnergyNorth, Inc., the parent of EnergyNorth Natural Gas, Inc. These acquisitions were approved by the Securities & Exchange Commission in an order issued on November 7, 2000 and by the Commission in its Order No. 23,470 (May 8, 2000).

total revenues billed to customers (the result of billing for 365 days instead of 360 days). To offset this revenue increase, KeySpan is proposing to reduce the rates set forth in the currently effective tariff. Specifically, the revised rates reduce customer charges and tail block rates to ensure that KeySpan will not experience a revenue increase as a result of the system conversion.

KeySpan has requested that the rate reduction be implemented on a bills rendered basis because if it were implemented on a service rendered basis, the rate reduction would only apply to gas consumption after July 1 and would mean the higher rates now in effect would apply to all gas consumed prior to that date. Because the computer conversion will occur on July 1, the new prorating method will be applied to all bills rendered on or after that date. By applying the old rates to the new billing system, KeySpan would collect greater revenues in the first billing cycle. In order to implement the rate change on a revenue neutral basis, the change needs to apply to all bills rendered on or after July 1. The Company also stated that it would minimize service termination activities for the first 30 days after conversion to provide customers with additional time to resolve any billing questions.

The new customer information system was implemented by by KeySpan's New York affiliate (KeySpan Delivery Energy New York) in 1990 and has proven to be an accurate, reliable, cost-effective and efficient system serving over 1 million customers in New York City. KeySpan will also be converting its Massachusetts affiliates to the new customer information system, thereby creating a single customer information system for New Hampshire, New York and Massachusetts and eliminating inefficiencies inherent in operating redundant systems.

KeySpan will revise the current billing format slightly to provide customers with the number of days usage for which they are being billed. Because there are few changes in the bill format and presentation, KeySpan does not anticipate a significant level of customer confusion upon the implementation of the new bill calculation methodology and notes in their filing that the proposed billing method has been used in KeySpan's New York City service territory since 1973 with little or no customer confusion or adverse reaction.

KeySpan is providing intensive training for all personnel who work on New Hampshire customer service matters in preparation for any inquiries that may occur regarding the billing changes. KeySpan will also assist the Commission's Consumer Affairs Department with educational material and

training on the new billing methodology and bill design, as well as responding to any questions Staff may have.

Additionally, KeySpan will minimize service termination for the first 30 days after the conversion to provide customers with additional time to resolve any billing questions they may have.

We have reviewed the filing and find that KeySpan's implementation of the new customer information system and the proposed tariff changes and rate reductions to be effective on a bills rendered basis as of July 1, 2002, is consistent with the public good.

Foremost, we find it fair that customers be billed for actual days of service taken in a billing period rather than 30 days, irrespective of the number of days in the period. Billing for actual days is more equitable and eliminates subsidies between customers with actual days of usage that are other than the 30 days or prorated. The new billing system will prorate the customer charge and the head blocks for actual days in the billing period, resulting in individual customer charges that better reflect the cost of service on which the current rate design was predicated.

In our order approving the acquisition of EnergyNorth, we anticipated synergies to benefit both

customers and shareholders and implementation of the new customer information system appears to meet this objective. Customers will be better served through more equitable billing and KeySpan should realize savings as a result of the elimination of duplicate customer service systems. Customers also benefit to the extent those savings reduce the revenue requirement and supporting rates.

We believe the benefits that will accrue to customers outweigh any temporary confusion that some customers may experience in the transition to the new system. We also think any confusion can be mitigated through education. Accordingly, we direct KeySpan to work with the Commission Staff to develop customer education materials which explain the billing changes.

We are satisfied with the training KeySpan personnel are receiving and assistance being rendered to the Commission Staff in preparation for any customer confusion that may occur as a result of the change in billing methodology. Also, the Company's agreement to minimize service terminations for the first 30 days following the conversion provides an additional safeguard to insure customers will have the time to fully comprehend the changes without suffering a break in service or financial penalties.

Finally, we waive the application of N.H. Admin. Rules, Puc 1203.05(a), which requires generally that rate changes be implemented on a service-rendered basis, and will allow KeySpan to implement its rate reductions on a bills-rendered basis. This waiver, pursuant to Puc 201.05, produces a result consistent with the principles embodied in Puc 1203.05(b), which sets forth exceptions for allowing rate changes on a bills-rendered basis, and is in the public interest because it eliminates consumer confusion and prevents excess earning as a result of the billing change.

Based upon the foregoing, it is hereby

ORDERED NISI, that KeySpan's proposed reduction in customer service charges and certain tail block rates are APPROVED as filed, effective July 1, 2002; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than June 12, 2002 and to be documented by affidavit filed with this office on or before June 26, 2002; and it is

FURTHER ORDERED, that all persons interested in responding to this petition be notified that they may submit

their comments or file a written request for a hearing on this matter before the Commission no later than June 26, 2002; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than June 28, 2002; and it is

FURTHER ORDERED, that this Order Nisi shall be effective July 1, 2002, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff with the Commission on or before July 15, 2002, in accordance with N.H. Admin. Rules, Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this seventh day of June, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary