


STATE OF NEW HAMPSHIRE

Inter-Department Communication

NHPUC 28SEP'17AM9:43

DATE: September 28, 2017
AT (OFFICE): NHPUC

FROM: Al-Azad Iqbal 
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SUBJECT: DG 17-104: Northern Utilities, Inc.'s
Petition to Change Delivery Service Terms and Conditions.

TO: Commissioners
Docket File
Service List

SUMMARY OF RECOMMENDATION

The Commission should cancel the hearing scheduled for October 5, 2017 and issue an order approving Northern's proposed tariff changes

BACKGROUND

On June 20, 2017, Northern Utilities, Inc. ("Northern" or the "Company") submitted a proposal of changes to the Delivery Service Terms and Conditions section of its Tariff. The filing included supporting testimony and proposed tariff changes with summary table. On July 13, 2017 the Commission issued an order suspending the proposed tariff and scheduled a pre-hearing conference. On August 16, 2017, a pre-hearing conference was held at which the Commission granted Direct Energy Business Marketing, LLC's (Direct Energy) petition to intervene. Following the pre-hearing conference Commission Staff, Northern, the Office of Consumer Advocate (OCA) and Direct Energy (the parties) participated in a technical session. Staff propounded two sets of data request on the Company and conducted two technical sessions. On September 5, 2017, Direct Energy filed comments on the proposed changes. At a technical session held on September 8, 2017, the parties discussed the issues raised by Direct Energy and reached a tentative agreement on to address those concerns. On September 22, 2017, the Company filed a supplemental petition resolving all issues that had been raised by the parties.

Northern Position

The Delivery Service Terms and Conditions in Part VII of Northern's tariff sets forth the terms and conditions under which customers may purchase their natural gas supply from retail suppliers. Included in these terms are those that govern the process of a concept called capacity assignment. That is the allocation of pipeline and storage capacity held by the Company to third-

party suppliers servicing the Company's customers. Northern assigns capacity in two ways: (i) either by releasing it directly to suppliers who then enter into replacement contracts directly with pipeline or storage operations or (ii) by using Company managed supplies. The Company seeks to modify the capacity assignment provisions to its terms and conditions relating to: (i) the amount of capacity assigned by the Company to each delivery service customer; (ii) the customers that are exempt from capacity assignment; (iii) the resources that are subject to assignment and the form such assignment takes, and (iv) the terms under which delivery service customers may access sales service.

In the testimony, the Company stated that similar tariff changes were already approved in Maine division and it would improve equity among customers, improve the utilization of the Company's capacity portfolio, improve the Company's planning load calculations, give retail suppliers more responsibility and flexibility to manage their own supplies, and clarify the terms under which Delivery Service customers may access Sales Service.

Currently, the Company establishes Total Capacity Quantity (TCQ) at the time Delivery Service is initiated. Once a TCQ becomes effective it remains fixed so long as the customer continues to receive Delivery Service, regardless of changes in the Customer's consumption. The company proposed to review the TCQs annually by August 1st and to update those TCQs that fall outside of a 5% bandwidth. The Company proposed to change the TCQ by multiplying customer's estimated peak day demand by a Capacity Ratio. The company proposal also included a new requirement of installing and maintaining telemetering equipment for the existing capacity exempt customers. The proposal clarifies assignable resources, modifies the capacity definitions with respect to Granite capacity, assignment of off-system peaking contracts, and stay in period for Delivery Service customers who switch to Sales Service.

In the supplemental petition, Company increased the TCQ adjustment bandwidth from 5 percent to 10 percent. The Company also proposes to defer implementation of its proposed annual TCQ review and update process until August 1, 2018. Regarding the requirements for new and existing capacity exempt customers to install daily metering, company determined that it had already transitioned to the use of meters capable of storing daily reads, which meets the Company's data collection and planning needs. So the Company no longer proposes that new and existing capacity exempt customers install daily metering.

Direct Energy Position

Direct Energy had four areas of principle concern the included: TCQ; Capacity Ratio; Capacity Exempt Status; and Accessing Sales Service. Direct Energy expressed concerns that weather can be volatile and making changes at a level of 5% would not best represent the forward capacity requirements because the calculation used prior year's weather for Base Load and Heat Factors. Direct Energy proposed use of a 50% bandwidth. Direct Energy was not directly opposed to Delivery Service customers paying for the same or like amount of capacity that Sales Service customers would pay. It requested more information about the capacity contracts. Direct Energy felt that having TCQ incorporate the Capacity Ratio would be confusing as the TCQ goes down but Capacity Ratio increases. With respect to Capacity Exempt Status, Direct Energy thought that the costs associated with customers becoming capacity

exempt may outweigh any savings for the Delivery Service Supply option as G-42 and G-52 customers who elect delivery service may incur significant additional telemetering costs which could have a chilling effect on customer participation in the competitive market. Direct Energy also believed that the proposed Stay Period would impose certain fees that will result on additional costs for customers seeking Delivery Service. Direct Energy supported the supplemental petition filed by Northern and supports the supplemental proposed tariff changes filed by Northern.

OCA and Staff Positions

At the pre-hearing conference the OCA stated that it was interested in hearing the concerns that Direct Energy had and was interested in resolving the docket on the schedule contemplated by Northern and Staff announced initial support for the proposed tariff changes.

During technical sessions and settlement discussions both Staff and the OCA noted that the TCQs currently being used to determine mandatory capacity assignment are outdated and supported the Company's proposal to update of TCQs annually based on customer usage. Staff and the OCA agreed with Northern that the proposed tariff changes would more accurately assign capacity costs and assets to transportation customers. Staff and the OCA also agreed that a delay or phase in of the proposed tariff changes and a increase in the variance percentage at which a customer's TCQ would be adjusted would enable the competitive natural gas market to better adjust to the changes and potential impact on supply planning and costs

FINDINGS & RECOMMENDATION

The supplemental petition is a result of the technical sessions and conversations between the parties and more accurately assigns capacity assets and the related costs to transportation customers while allowing adequate time for the competitive market to adjust accordingly. The proposed tariff changes do not directly impact rates but will more accurately assign gas costs between firm sales and transportation customers which could impact cost of gas rates following customer TCQs adjustments. Rate impacts, if any, will be addressed in annual cost of gas filings.

As stated in the Northern supplemental petition to modify the proposed tariff changes, Northern conferred with Direct Energy and Direct Energy supports the proposed tariff changes as revised. Staff conferred with the OCA and the OCA supports the proposed tariff changes as revised. No other parties intervened or participated in the docket. All parties believe that the proposed charges will be just and reasonable.

Oder 26,041, issued July 13, 2017, suspended Northern tariff changes until October 13, 2017, pending investigation and further order of the Commission. Staff recommends that the Commission cancel the hearing scheduled for October 5, 2017 and issue an order approving the tariff changes, as revised, to the Delivery Service Terms and Conditions.

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
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
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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.