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existing railroad tracks. The facility will be installed in accordance with the practices of the National Electric Safety Code.

The Commission noted that no objections were filed or expressed at the hearing. In fact, no intervenors or interested parties were in attendance.

The petition was properly publicized, and proper notification was given to the public as to the proposed installation.

The Commission finds this petition for authority to cross state-owned railroad property in the Town of Thornton, in order to provide electric service to the Thornton Fire Department, to be in the public interest. Our order will issue accordingly.

ORDER

Based upon the foregoing report which is made a part hereof; it is

ORDERED, authority be granted to the New Hampshire Electric Cooperative Inc. to cross state-owned railroad property in the Town of Thornton, New Hampshire in order to provide poles and guy wires necessary to support the installation of electric service to the Thornton Fire Department.

By Order of the Public Utilities Commission of New Hampshire this first day of February, 1982.

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NH.PUC*02/02/82*[79187]*67 NH PUC 113*Concord Natural Gas Corporation

[Go to End of 79187]

Re Concord Natural Gas Corporation

DR 81-284, Supplemental Order No. 15,471

67 NH PUC 113

New Hampshire Public Utilities Commission

February 2, 1982

ORDER resolving cost of gas adjustment clause issues.

1. RATES, § 303 — Fuel clauses — Gas.

[N.H.] The commission rejected an argument that disallowance of penalties paid by a gas company in a cost of gas adjustment was retroactive rate making because fuel clauses operate in a forward-looking manner, reconciling under- and overcollections which are brought forward to a future adjustment period. p. 114.

2. EXPENSES, § 19 — Generally — Penalties.

[N.H.] The commission directed a gas company to give below-the-line treatment to penalties

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incurred by exceeding tariff restrictions from a supplier. p. 114.

3. EXPENSES, § 39 — Commodity or supply cost — Gas.

[N.H.] A gas company must assure the commission that all reasonable steps have been taken to procure the most favorable price for customers because the cost of gas adjustment clause was not intended to recover costs that were not reasonably incurred. p. 114.

BY THE COMMISSION:

MOTION FOR REHEARING AND OTHER RELIEF

On November 25, 1981, Concord Natural Gas Corporation (the "Company") filed a Motion for Rehearing and other relief on the matter of the 1981-82 winter cost of gas adjustment. The Commission issued Order No. 15,285 on November 6, 1981 which rejected the 23rd and 24th Revised Pages 21 and 21A of the tariff for an adjustment of \$0.2466 per therm and ordered the Company to file 25th Revised Pages 21 and 21A to reflect an adjustment of \$0.2132, effective November, 1981. The Commission also ordered the Company to file an entirely new permanent rate structure based on a flat charge per therm to be implemented as of December 1, 1981. On November 13, 1981, the Company filed the flat charge rate design under protest and objected to the implementation of the same.

Concord Natural Gas Corporation objects to the discussion in the Report and Order in this case regarding past winter heating periods and asks that the Commission specifically state how such findings are relevant to this case. The findings in our Report were meant to point out the wide discrepancies in Company forecasts, especially in the last winter period (DR 81-78), and to define the reasons why the Commission was rejecting the forecast of sales for this winter period. The Company further believes our statement regarding past overcollections is incorrect and cites a letter which was sent to the Commission on December 27, 1976 stating that the cost of gas adjustment could be reduced on January 1, 1977. A review of Commission files shows the Company's rate case in Docket No. 76-66 was decided on December 30, 1976 and in that decision, the base cost of gas was changed and the winter cost of gas adjustment was revised for the remainder of the winter period.

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[1, 2] Concord Gas objects to the adjustment which was made to remove penalties paid by the Company from the cost of gas adjustment. The Commission reduced costs by \$39,170 and added interest at 8 percent (\$3,539) for a total adjustment of \$42,709. The Company claims that \$39,170 was never paid and only \$19,880 was actually paid. They further claim that only \$8,806 of the penalty was included in the summer cost of gas and the remainder - \$11,074 - was booked "below-the-line". They further argue that the \$8,806 was adjudicated in the summer cost of gas adjustment and therefore has been settled and it would be retroactive ratemaking to include that adjustment in the winter cost of gas adjustment. The Company has submitted documentation to show that the \$11,704 was removed from purchased gas expense in October 1981 and not included in operating expenses. They have also filed documentation attempting to show that the

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second penalty from Tennessee Gas Pipeline in the amount of \$19,290 was never paid and was forgiven. The Commission does not accept the Company's argument that the disallowance of any portion of the penalty that was included in the summer cost of gas adjustment is retroactive ratemaking. The nature of the fuel clauses approved by this Commission are such that they are always based on estimated costs for a forward-looking period and a subject to reconciliation. Over and undercollections are carried in deferred accounts and are brought forward to a future adjustment period. Furthermore, if the Commission Staff found errors in the past bookings of the cost of gas adjustment, an adjustment would be made. To accept the Company's argument would be to accept the gas costs of Tennessee without considering the fact that the final rates have not been settled at the Federal Energy Regulatory Commission. The Commission reiterates that penalties due to exceeding tariff restrictions from a supplier are not proper costs for ratepayers and are to be booked below the line. Such accounting treatment is hereby ordered by this Commission. As the penalty was included in the 1981 summer cost of gas adjustment, the exclusion of those costs will be reconciled in the next summer cost of gas adjustment in order to return that revenue to the proper ratepayer. The Commission reiterates that it was correct in removing the penalties and will still want further proof as to the second penalty.

[3] Concord Gas objects to the disallowance of \$92,608 for propane purchased from Gas Service, Inc. during the last winter period. As the Company has reviewed its records and has provided this Commission with further substantiation that the propane obtained was at the least available price, the Commission will withdraw its previous adjustment. In the future, the Company must assure this Commission that it has taken all reasonable steps to procure the most favorable price for its customers. The cost of gas adjustment clause is not a blank check for any company to recover costs which have not been reasonably incurred.

The Commission, in its Order, reduced the estimated cost of LNG used by Concord Gas from \$7.605 per MCF to \$7.10 per MCF. Upon a review of all the information supplied by the Company, the Commission will accept \$7.48 per MCF.

The Company objects to the projection of gas sales for the 1981-82 winter period and states that there is no evidence to support a 2.6% reduction in sales. Concord Gas further states that the best sales estimate should be at a

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minimum last winter's sales, or 8,318,380 therms. In its appeal, the Company has submitted a new calculation of the cost of gas using actual known sales for November. Instead of reducing sales for the period for the known reduction, the reduction has been shifted to increase sales in January, 1982, for the forecast for the remainder of the period. The Commission has analyzed sales and degree days for the past three years. Their analysis show that for the 1980-81 winter period, the first three months were considerably colder than normal and the last three months were warmer than normal. Due to cycle billings, sales were above average. In order to arrive at a sales projection for a revised cost of gas adjustment, the Commission has obtained the actual sales for November and December, 1981. For the remainder of the period, the original forecasted sales submitted by the Company has been used. The sales forecast in therms is as follows:

[Graphic(s) below may extend beyond size of screen or contain distortions.]

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November actual	897,580
December actual	1,412,350
January	1,390,170
February	2,016,450
March	1,261,070
April	1,251,770
TOTAL	<u>\$8,229,390</u>

As the actual costs are known for November and December 1981, those amounts will be used in our calculation. For January through April, the original projected gas mix usage will be used at the indicated prices. The cost of gas adjustment to be used for the remainder of the period is calculated as follows:

[Graphic(s) below may extend beyond size of screen or contain distortions.]

Purchased Gas, 1-1-82 through 4-30-82		
Gas Service Charge	(543,455 MCF @ \$1.2630)	\$ 686,384
Gas Charge	(555,954 MCF @ \$2.8026)	1,558,117
Propane	(219,927 Gals. @ \$0.5889)	129,515
LNG	(9,782 DT @ \$7.3473)	71,871
November, December actual costs		1,129,374
Tennessee refunds and undercollection		(212,273)
TOTAL ESTIMATED COST OF GAS		<u>\$3,362,988</u>
Less: Costs recovered in November & December, 1981		947,302
ESTIMATED COSTS, JANUARY-APRIL 1982		<u>\$2,415,686</u>
Projected Sales		5,919,460
Unit Cost of Gas		\$ 0.4081
Less: Base Cost of Gas		\$ 0.1969
COST OF GAS ADJUSTMENT, JANUARY-APRIL, 1982		<u>\$ 0.2112</u>

The \$0.2112 per therm is less than the original rate of \$0.2132. The new rate will be effective for the remainder of the winter period, effective with all bills issued after the date of this Order.

Our Order will issue accordingly.

SUPPLEMENTAL ORDER

Upon consideration of the foregoing Report, which is made a part hereof; it is hereby ORDERED, that 25th Revised Pages 21 and 21A of tariff, NHPUC No. 13 — Gas, of Concord Natural Gas Corporation, be, and hereby are, rejected; and it is

FURTHER ORDERED, that Concord Natural Gas Corporation file new 26th Revised Pages 21 and 21A of tariff, NHPUC No. 13 — Gas reflecting a cost of

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gas adjustment of \$.2112 effective February 1, 1982.

By order of the Public Utilities Commission of New Hampshire this second day of February, 1982.

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NH.PUC*02/02/82*[79188]*67 NH PUC 116*Northern Utilities, Inc.