

DG 99-028

NORTHERN UTILITIES, INC.

1999 Summer Cost of Gas Adjustment

**Order Approving the Cost of Gas Adjustment
and Revised Tariffs**

O R D E R N O. 23,203

April 23, 1999

APPEARANCES: LeBoeuf, Lamb, Greene and MacRae, L.L.P. by Meabh Purcell, Esq., 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 March 12, 1999, Northern Utilities, Inc. (Northern) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas Adjustment (CGA) for the 1999 summer period. Northern's filing was accompanied by the pre-filed testimony and supporting attachments of Marjorie H. Izzo, Senior Rate Analyst. The filing proposed a 1999 Summer CGA charge of \$0.0143 per therm.

Northern informed customers of the impending change by publishing a copy of the Commission's Order of Notice in the Manchester Union Leader, Foster's Daily Democrat, Portsmouth Herald, and Lawrence Eagle Tribune on March 19, 1999. The Order of Notice also notified Northern and its customers that the Commission Staff (Staff) was recommending changes in the tariffs to reflect gas costs on a per unit basis rather than as an

adjustment to the base unit cost of gas.

Apart from the Office of Consumer Advocate (OCA) which is a statutorily recognized intervenor, there were no intervenors in this docket. On April 14, 1999, a hearing on the merits was held and was presided by a Hearing Examiner.

II. POSITIONS OF THE PARTIES AND STAFF

Northern Utilities, Inc.

Northern witness Marjorie H. Izzo, Senior Rate Analyst, explained the calculation of the CGA and its impact on customers' bills, the reasons attributing to the increase in the rate, and Northern's position with regard to the proposed tariff changes.

A. Calculation and Impact of the Firm Sales CGA

The proposed 1999 Summer CGA *charge* of \$0.0143 per therm was calculated by reducing the anticipated cost of gas of \$4,104,624 for net adjustments of (\$221,662) and dividing the resulting anticipated costs of \$3,882,962 by projected therm sales of 11,220,780 to arrive at a per unit cost of gas of \$0.3461 per therm, and then deducting the base summer cost of gas of \$0.3318 per therm.

Northern's proposed 1999 Summer CGA is a *charge* of \$0.0143 per therm for Firm Sales customers, representing an increase of \$0.0236 per therm from the 1998 Summer CGA *credit* of \$0.0093 per therm.

The proposed firm sales CGA rate of \$0.0143 per therm

will increase an average residential heating customer's monthly gas bill by approximately \$1.60, or 4.7%, from last summer.

B. Factors Contributing to the Increased CGA

Projected commodity costs, based on current futures prices, are lower than those experienced last summer. More than offsetting the decrease in the commodity prices is a 5 percent increase in demand charges, thus, resulting in a projected increase in gas costs over last summer. The increase in demand charges can be attributed to the replacement of capacity on the Portland Pipe Line with capacity on the recently opened Portland Natural Gas Transmission System (PNGTS)/Maritimes and Northeast Pipeline LLC pipeline. Commission Order No. 22,887 (March 30, 1998) approved the firm transportation agreement with PNGTS for transportation service, based on an extensive record developed in Docket No. DE 95-346 which identified it as the optimal resource that Northern needed to supply its customers.

C. Changes to the Tariff Pages

Northern described changes to its tariff that would remove the gas costs, as currently defined, from base rates and would identify two distinct types of charges. The two charges would be a distribution or transportation charge and an energy or gas charge.

The base rate, as reported in Northern's Firm Rate Schedules, is comprised of both gas and non-gas costs and is

adjusted to reflect current gas prices and prior period over or under recoveries by applying a charge or credit as approved in the cost of gas adjustment proceedings. As filed in this docket, the Northern Firm Rate Schedule for residential heating service reflects a Base Rate of \$0.5671 per therm for the first 25 therms and a CGA charge of \$0.0143 per therm for a Net Rate of \$0.5814 per therm. The proposed change to the Rate Schedule would reflect a Distribution Charge of \$0.2353 per therm and a Gas Charge of \$0.3461 per therm for a Net Rate of \$0.5814 per therm.

Northern asserted that the proposed changes in the tariff pages would clearly delineate the gas and non-gas costs of providing natural gas service and would make the tariffs consistent with customers' bills which were reformatted in November 1998 to reflect gas and non-gas costs.

Staff

Staff stated that it had reviewed the filing and recommended that the Commission approve the cost of gas as filed by Northern and the proposed revisions to the tariff.

III. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that Northern's proposed 1999 Summer CGA will result in just and reasonable rates and, therefore, we will approve the rates for effect May 1, 1999. We also find that Northern's proposed changes to its tariff pages are reasonable and in the public

good.

Northern proposed a Summer CGA charge of \$0.0143 per therm which is \$0.0236 per therm greater than the 1998 firm sales CGA credit of \$0.0093 per therm. Based on the filing and testimony offered at the hearing, the Hearing Examiner recommended that the Commission approve the proposed Summer CGA for Northern. In addition, Northern agreed with Staff's recommendation to revise its tariff to reflect gas costs as a single charge as opposed to a base unit cost of gas and an adjustment to that rate.

We agree with Northern and Staff that the tariffs should clearly reflect per unit gas costs. Tariff pages that delineate between gas and non-gas costs and are consistent with customers' bills will help to eliminate customer confusion and better identify the costs being addressed in the CGA proceedings.

Based upon the foregoing, it is hereby

ORDERED, that Northern's Twenty-seventh Revised Page 32, Sheet No. 1, N.H.P.U.C. tariff of Northern Utilities, Inc. - New Hampshire Division, providing for a Summer CGA **charge** of \$0.0143 per therm for the period May 1, 1999 through October 31, 1999 is APPROVED effective for bills rendered on or after May 1, 1999; and it is

FURTHER ORDERED, that Northern may adjust the approved Summer CGA rate of \$0.0143 per therm 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 vary more than ten percent (10%) from the approved unit cost of gas of \$0.3461 per therm (or \$0.0346 per therm) and can not change more than ten percent (10%) in any given month; 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 CGA 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 32 - Calculation of Cost of Gas Adjustment and revised rate schedules if Northern elects to adjust the CGA rate; and it is

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

FURTHER ORDERED, that Northern's tariff pages shall be revised to eliminate the base unit cost of gas included in base rates and reflect the unit cost to be added to base rates to determine the total cost; and it is

FURTHER ORDERED, that Northern's tariff page 32 - Calculation of Cost of Gas Adjustment shall be revised to include

