

DG 99-111

ENERGYNORTH NATURAL GAS, INC.

**Petition for Approval to Extend and Modify the
Natural Gas Price Stability Plan**

Order NISI Approving Plan

O R D E R N O. 23,272

August 2, 1999

On July 23, 1999, EnergyNorth Natural Gas, Inc. (ENGI), filed with the New Hampshire Public Utilities Commission (Commission) its Petition for Approval to Extend and Modify the Natural Gas Price Stability Plan. The petition was accompanied by the prefiled testimony of Mark G. Savoie, Manager of Regulatory Affairs. The Natural Gas Price Stability Plan was originally approved by the Commission by Order No. 22,953 (June 8, 1998) which authorized ENGI to offer the plan on a trial basis for the 1998/1999 winter period. The plan was required to be closely monitored and the results reviewed and evaluated to serve as a basis for continuing and improving the plan going forward.

The Natural Gas Price Stability Plan, which ENGI requests to rename to the Guaranteed Price Protection Program (GPPP), allows firm sales customers the option of paying a fixed price for the cost of gas component of the total gas service rates during the winter months. The purpose of the GPPP is to offer customers an option that would provide protection against price fluctuations in the winter season. ENGI proposes to

continue to hedge the Gulf Coast and Canadian index-based supply portion of the volumes approved under the GPPP by locking into a price, or series of prices, with one or more of its suppliers. This is known as Exchanging Futures for Physicals (EFPs). Although the EFP is similar to purchasing a futures contract, there are no margin requirements or brokerage fees associated with an EFP. Additionally, unlike purchasing options, there are no premium costs incurred with EFPs.

Under the GPPP, ENGI will make available up to twenty percent (20%) of the previous weather normalized winter period therm sales. The GPPP offering will be made available to two pools of customers: 1) residential and 2) commercial, industrial, and large volume. Separate pools will insure that the commercial, industrial, and large volume sales customers will not dominate the volumes available under the GPPP.

After reviewing the performance of the Natural Gas Price Stability Plan for the 1998/1999 winter season, ENGI has proposed that the Commission approve the GPPP on an indefinite basis until such time that ENGI or the Commission determine that the GPPP is no longer appropriate or requires modifications. ENGI has also proposed to eliminate the pre-enrollment process which it found to be confusing to some customers and which it believes to be inefficient. Instead, ENGI will do a special mailing to all customers once the GPPP price is determined. Because the costs of such a mailing are directly attributable to

all sales customers, the GPPP administrative costs would be recovered through the cost of gas from all sales customers rather than through the GPPP price alone.

ENGI proposes that volumes offered under the GPPP will be offered on a first-come, first served basis. However, customers who participated in the GPPP during the preceding winter period will be guaranteed enrollment if they enroll during the first two weeks of the enrollment period.

The approval process for executing the EFPs was modified to reflect recent management changes and to better distribute approval authority between the operations and financial sides of ENGI. The approval process will require a first approval of the Vice President of Gas Supply or, in the alternative, the Executive Vice President. Second approval is necessary from the Chief Financial Officer or, in the alternative, the President.

On July 30, 1999, Commission Staff (Staff) filed a memo recommending that the Commission approve ENGI's petition. Staff states that the modifications proposed by ENGI are minor in nature and serve to simplify the enrollment and administrative processes.

The Commission has reviewed the filing and the recommendation of Staff. We find that continuing the GPPP and the modifications to the GPPP are reasonable and in the public good.

THE GPPP is consistent with prior Commission orders that directed gas companies in New Hampshire to mitigate natural gas price volatility at a minimal cost. The GPPP will eliminate price fluctuations due to gas costs without the costs associated with futures or options. The GPPP is similar to fixed price plans offered in the competitive market by oil and propane dealers, as well as natural gas marketers, that ensure a set price for the winter period to customers who desire price certainty.

We agree with Staff that the modifications to the GPPP are minor in nature. Additionally, we note that ENGI states that the modifications will also serve to reduce customer confusion. It is our expectation that the purpose of this program modification is to increase customer participation.

Consistent with our determinations in Order No. 22,953, we continue to believe that with the change in the cost of gas adjustment mechanism, which permits monthly changes to the cost of gas rate to more accurately reflect market prices, the GPPP offers an alternative to customers who do not want to be subject to the volatility of market prices. The availability of two pricing options will allow firm sales cost of gas customers to decide the level of price risk they wish to tolerate while providing better price signals to the marketplace.

Based upon the foregoing, it is hereby

ORDERED NISI, that the proposed Guaranteed Price Protection Program is hereby APPROVED until such time that ENGI or the Commission determine that the GPPP is no longer appropriate or requires modification; and it is

FURTHER ORDERED, that ENGI 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 August 9, 1999 and to be documented by affidavit filed with this office on or before August 16, 1999; 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 August 19, 1999; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than August 24, 1999; and it is

FURTHER ORDERED, that this Order Nisi shall be effective September 1, 1999, unless the Commission provides otherwise in a supplemental order issued prior to the effective date.

By order of the Public Utilities Commission of New Hampshire this second day of August, 1999.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary