

DG 03-024

**CONCORD STEAM CORPORATION**

**2002/2003 Revised Cost of Energy**

**Order Revising the Cost of Energy Rate**

**O R D E R   N O.   24,134**

**March 4, 2003**

**APPEARANCES:** Sarah B. Knowlton, Esq., McLane, Graf, Raulerson and Middleton, for Concord Steam Corporation and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

**I.    PROCEDURAL HISTORY**

On February 13, 2003, Concord Steam Corporation (Concord Steam), a public utility supplying steam service to approximately 125 commercial and institutional customers in Concord, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) a revised Cost of Energy (COE) rate for the period March 1, 2003 through October 31, 2003. Concord Steam's filing was accompanied by the pre-filed testimony and supporting attachments of Mark E. Saltsman, Vice President of Concord Steam.

An Order of Notice was issued February 14, 2003 setting a technical session for February 21, 2003 and a hearing for February 27, 2003. Concord Steam informed customers of the impending rate change by mailing a copy of the Order of Notice

to all customers and publishing a copy in the *Concord Monitor* on February 19, 2003.

On February 21, 2003, Concord Steam filed updated COE schedules with a revised COE rate of \$14.26 per Mlb (1,000 pounds of steam) and on February 27, 2003, submitted a revised COE rate of \$13.09 per Mlb to be implemented on a bills-rendered basis.

On February 27, 2003, a duly noticed hearing on the merits was held.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Concord Steam Corporation**

Concord Steam witness Mark E. Saltsman addressed the following issues: 1) calculation of the COE rate; 2) reasons for filing a revised COE and factors contributing to the increased rate; 3) customer impact; and 4) request for rate change on a bills-rendered basis. During cross examination, Concord Steam explained its practices for hedging its fuel costs.

#### **1. Calculation of the COE rate**

The proposed revised 2002/2003 COE rate of \$13.09 per Mlb was calculated by updating the cost projections used to establish the 2002/2003 COE rate, approved in *Concord Steam Corporation*, Order No. 24,082 (November 1, 2002), to reflect actual energy costs, COE revenues for the prior months and

current energy cost and revenue projections for the remaining months (sales projections remain unchanged). The original COE filing projected energy costs of \$1,870,727, compared to a revised COE of \$2,515,669, a difference of \$644,942, or 34%.

## **2. Reasons for Revised COE Filing and Increased Rate**

Since the September 20, 2002 COE filing on which the 2002/2003 COE rate was based, there have been substantial increases in the actual and projected oil and gas prices for the period. Due to those higher than anticipated prices, Concord Steam has forecasted an under collection of \$334,195, or 13.3% of the total projected energy costs. The projected under collection takes into account the additional revenues generated through the monthly adjustments to date and an increase to the maximum rate for the remainder of the COE period. The reconciliation included actual costs and revenues for three months and estimates for the nine months not closed as of the date of the filing.

## **3. Customer Impact**

Concord Steam requested a waiver of Puc 1203.05(b) which generally requires rate changes to be implemented on a service rendered basis.

While Concord Steam's COE and delivery rates are identical for all customers, the metering charges vary based on

meter size (i.e. small, medium and large). Small and medium sized customers are primarily heating customers and discontinue service during the summer months. Customers that continue steam service throughout the summer are large customers that use steam for other purposes in addition to heating. Consequently, small and medium customers will experience less of a rate impact due to the increase than will large customers, as the small and medium will not be taking service for a significant portion of the remaining 2002/2003 COE period. By allowing Concord Steam to implement the rate increase on a bills-rendered basis, the COE rate increase is lower as the additional energy costs are spread over more Mlb sales and the discrepancies in the rate impact on small, medium and large customers are reduced. Under the bills-rendered basis, the rate increase is reduced from \$14.26 per Mlb to \$13.09 per Mlb and the customer bill impacts range from 6.3% to 7.8% (depending on customer size), compared to a range of 5.2% to 8.4% if implemented on a service-rendered basis.

#### **B. Staff**

Staff did file testimony but stated its support for the proposed rate increase to be implemented on a bills-rendered basis.

**III. COMMISSION ANALYSIS**

After reviewing the record, we conclude that the proposed revised 2002/2003 COE rate of \$13.09 per Mlb will result in just and reasonable rates and is hereby approved. The revised COE rate accurately reflects current market conditions and will avoid an artificially inflated 2003/2004 COE rate by eliminating or reducing the projected under collection from the current period, which would otherwise be carried forward for recovery through that rate.

We find that Concord Steam has satisfied the requirements to waive Puc 1203.05(b). Allowing Concord Steam to implement the revised 2002/2003 COE rate on a bills-rendered basis is consistent with the applicable provisions we approved in *Concord Steam Corporation*, Order No. 23,822 in Docket No. DG 01-171, 86 NH PUC at 699 (2001). Employing the COE mechanism was intended to reasonably address the problem of subsidization between summer and winter customers. By implementing the revised COE rate on a bills-rendered basis, Concord Steam will be able to more closely match its COE revenues to its COE expenses and better match those costs with the appropriate customers.

**Based upon the foregoing, it is hereby**

**ORDERED**, that Concord Steam's request for a waiver of Administrative Rule Puc 1203.05(b) is GRANTED; and it is

**FURTHER ORDERED**, that Concord Steam's proposed 2002/2003 COE rate of \$13.09 per Mlb for the period March 1, 2003 through October 31, 2003 is APPROVED; and it is

**FURTHER ORDERED**, that Concord Steam may, without further Commission action, adjust the approved revised COE rate of \$13.09 per Mlb upward or downward monthly based on Concord Steam's calculation of the projected over or under collection for the period, but the cumulative adjustments shall not exceed twenty percent (20%) of the approved revised COE rate; and it is

**FURTHER ORDERED**, that that Concord Steam shall provide the Commission with its monthly calculation of the projected over or under calculation, along with the resulting revised COE rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. Concord Steam shall include a revised tariff if Concord Steam elects to adjust the COE rate; and it is

**FURTHER ORDERED**, that interest will not be charged on the monthly over or under collection; and it is

**FURTHER ORDERED**, that Concord Steam shall file properly annotated tariff pages in compliance with this Order no

later than 15 days from the issuance date of this Order, as required by N.H. Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this fourth day of March, 2003.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary