

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 12-067

**ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH**

2012 Summer Season Cost of Gas

**Order Approving Cost of Gas Rates and
Granting Motion for Confidential Treatment**

ORDER NO. 25,356

April 30, 2012

APPEARANCES: Patrick H. Taylor, Esq. of McLane, Graf, Raulerson & Middleton, P.A., on behalf of EnergyNorth Natural Gas, Inc. d/b/a National Grid NH, and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 15, 2012, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid or Company), a public utility that distributes natural gas in southern and central New Hampshire and the City of Berlin, filed its cost of gas (COG) for the 2012 summer period, which results in an approximate 17 percent decrease for a typical residential heating customer. National Grid's filing included the direct testimony and supporting attachments of Ann E. Leary, Manager of Pricing – New England and Theodore E. Poe, Jr., Lead Analyst. In addition, National Grid filed a motion for confidential treatment regarding specific schedules in the 2012 COG filings.

On March 26, 2012, the Commission issued an order of notice scheduling a hearing for April 16, 2012. The hearing was held as scheduled on April 16, 2012, before Hearings Examiner F. Anne Ross, Esq. Hearings Examiner Ross filed a report regarding this

hearing on April 20, 2012. Hearings Examiner Ross also recommended approval of the Company's 2012 summer season COG rates, and supported the Company's motion for confidential treatment. *See* Hearing Report of F. Anne Ross at 3. *See* Hearing Report of F. Anne Ross. There were no intervenors.

II. POSITIONS OF THE PARTIES AND STAFF

A. National Grid

Among other things, National Grid witnesses Leary and Poe addressed the calculation of the proposed COG rates, customer bill impacts, reasons for the rate increases, and changes to the Company's supply portfolio.

1. Calculation of the Proposed Firm Sales COG Rates and Bill Impacts

Pursuant to the COG clause, National Grid, with the Commission's approval, may adjust on a semi-annual basis its firm gas sales rates in order to recover the costs of gas supplies, capacity and certain related expenses, net of applicable credits, as specified in National Grid's tariff. The average COG rate, which is the COG rate payable by residential customers, is calculated by dividing total anticipated direct costs of \$10,675,929 and total indirect costs of \$287,917 by projected summer season sales of 21,419,124 therms. Direct costs include pipeline transportation capacity and commodity charges, and adjustments, consisting of a prior period over-collection and interest. Indirect costs consist of working capital, bad debt and overhead charges.

National Grid's filing proposes a 2012 summer season residential COG rate of \$0.5118 per therm, a decrease of \$0.2397 per therm from the weighted average 2011 summer season residential COG rate of \$0.7515 per therm. The impact of the proposed firm sales COG rate, as

offset by the base distribution rate upward adjustment approved as part of the cast iron/bare steel replacement program by Order No. 25,244 (June 29, 2011) in Docket No. 11-106, is an overall decrease in the typical residential heating customer's summer gas costs of approximately \$76, or 17 percent, when compared to the average COG rates for the 2011 summer season.

National Grid's proposed commercial and industrial (C&I) low winter use and high winter use COG rates are as follows: \$0.5103 per therm for the low winter use COG rate and \$0.5126 per therm for the high winter use COG. (C&I low winter use customers have high load factors while C&I high winter use customers have low load factors). The rate decrease for C&I customers below the comparable 2011 summer season rates is commensurate with the residential COG rate decrease.

2. Reasons for the Decrease in the COG Rates

According to National Grid, the decrease in the proposed COG rates, as compared to last summer's rates, is the result of decreased commodity prices, including reduced hedging costs, and the application of adjustments resulting from a prior-period over-collection of approximately \$410,000, and a supplier refund credit of approximately \$740,000. (This supplier refund credit is associated with National Grid's litigation in the Tennessee Gas Pipeline rate case, *see EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,217 (April 29, 2011) at 3-4). For the purposes of the COG filing, the Company had made an estimate of the anticipated refund that was applied to its COG calculations.

3. Motion for Protective Order and Confidential Treatment

National Grid requested confidential treatment of certain information contained in Schedules 1, 2, 5A, 5C, 6, 7, and 14. The schedules concern, respectively: costs associated with

the summary of supply and demand forecasts; contracts ranked on a per-unit cost basis; adjustments to gas costs; details of demand costs per unit; details of demand rates per unit; details of commodity costs per unit; and hedged contracts (including pricing terms).

The Company asserts that the information for which it seeks confidential treatment constitutes trade secrets and should be protected as confidential commercial information. The Company further states that it does not disclose this information to anyone aside from its corporate affiliates and representatives. According to National Grid, release of this information would likely result in competitive disadvantage for the Company because gas suppliers would be aware of National Grid's expectations regarding gas supply costs and other contract terms and would be unlikely to propose to supply such goods and services on terms more advantageous to National Grid, ultimately resulting in higher prices to customers. Therefore, the Company argues, the information constitutes "confidential, commercial or financial information," as defined in RSA 91-A:5, IV, which is expressly exempt for the public disclosure requirements of RSA chapter 91-A, the Right-to-Know law.

B. Staff

Staff confirmed that the Commission's Audit Staff had audited the reconciliation from the 2011 summer COG season and, aside from a small adjustment to the prior period over-collection, found no material exceptions. *See* Transcript of April 16, 2012 Hearing (Tr.) at 22-23. Staff also queried the Company generally about how the Tennessee Gas Pipeline-related supplier refund would be apportioned and applied to summer and winter 2012 gas costs. Tr. at 13-21. Staff confirmed with the Company that the anticipated supplier refund amount was, in fact, the actual refund amount paid to the Company as of the date of the hearing, and that

National Grid intended to determine the amount of this refund that should be allocated to the summer vs. winter cost of gas periods, as well as the amounts due to mandatory capacity assigned gas marketers. Tr. at 14-16.

Staff supported the Company's revised COG rates. Tr. at 27. Staff stated that National Grid's forecasts appeared reasonable and consistent with past practices, and that the Company's supply plan integrated actual costs for hedged supplies and recent NYMEX futures average prices for non-hedged supplies. Tr. at 27. Staff also supported the application of the supplier refund credit estimated for the summer period COG filing, as it had proven to be equal to the summer portion of the actual refund provided; Staff stated that it would examine the Company's final allocation of the refund when reconciled. Tr. 28. Finally, Staff confirmed that, as with prior COG dockets, the rate was subject to reconciliation, and that should a problem arise, it may be addressed in next summer's COG filing. Tr. at 27-28.

III. COMMISSION ANALYSIS

A. Cost of Gas Rates

Based on our review of the record in this docket, we approve the proposed 2012 summer season COG rates as just and reasonable pursuant to RSA 378:7. The proposed rates, as revised, represent current market data. We note also that pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,963 (April 30, 2009), the approved rate may be adjusted downward so far as is needed, and upward by no more than twenty-five percent, without further Commission action. Thus, any downward trend in prices may be met by the Company with reductions in price and, to a limited extent, upward trends may be followed.

B. Motion for Confidential Treatment

Regarding National Grid's motion for confidential treatment, RSA 91-A:5, IV states, in relevant part, that records of "confidential, commercial, or financial information" are exempted from disclosure. *See Unitil Corp. and Northern Utilities, Inc.*, Order No. 25,014 (September 22, 2009) at 2. In determining whether commercial or financial information should be deemed confidential, we consider whether there is a privacy interest that would be invaded by the disclosure. *Id.* at 2-3. Second, when a privacy interest is at stake, the public's interest in disclosure is assessed. *Id.* at 3. Disclosure should inform the public of the conduct and activities of its government. If the information does not serve that purpose, disclosure is not warranted. *Id.* Finally, when there is a public interest in disclosure, that interest is balanced against any privacy interests in non-disclosure. *Id.* This is similar to the Commission's rule on requests for confidential treatment. *See* N.H. Code Admin. Rules Puc 203.08; *see also Unitil Corp. and Northern Utilities, Inc.*, Order No. 25,014 (September 22, 2009) at 3.

Applying the above considerations, we conclude that the information here is of a sufficiently sensitive nature that it need not be disclosed. Disclosure of National Grid's existing arrangements or its expectations about pricing, supply, and demand of natural gas would reveal the internal business decisions of the Company, and could injure its bargaining position with its potential future suppliers of gas. As such, disclosure would invade National Grid's privacy interest and could damage its competitive position, potentially to the detriment of ratepayers. Further, there is no indication that disclosure of the information will inform the public about the workings of the Commission, and no party or person has objected to confidential treatment or asserted that disclosure would inform the public about the activities of the government.

Accordingly, in balancing the interests of the Company in protecting its information with the public's interest in disclosure, we conclude that the information may be protected and we grant National Grid's motion. Consistent with Puc 203.08(k), our grant of this motion is subject to our on-going authority, on our own motion, on the motion of Staff, or on the motion of any member of the public, to reconsider our determination.

Based upon the foregoing, it is hereby

ORDERED, that National Grid's proposed 2012 summer season COG rates for the period May 1, 2012 through October 31, 2012 are APPROVED as set forth in this Order, effective for service rendered on or after May 1, 2012 as follows:

	Cost of Gas	Maximum COG
Residential	\$0.5118	\$0.6398
C&I, low winter use	\$0.5103	\$0.6379
C&I, high winter use	\$0.5126	\$0.6408

FURTHER ORDERED, that National Grid may, without further Commission action, adjust the COG rate based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rate; and it is

FURTHER ORDERED, that National Grid shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of

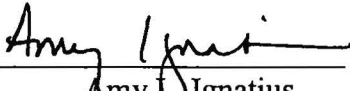
the subsequent month. National Grid shall include a revised tariff page 87 – Calculation of Cost of Gas Adjustment for firm sales and revised firm rate schedules under separate cover letter if National Grid elects to adjust the COG rate, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

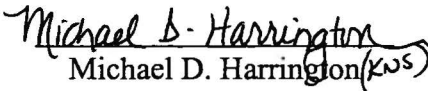
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates; and it is

FURTHER ORDERED, that the pending motion for confidential treatment is GRANTED as set forth in this Order; and it is

FURTHER ORDERED, that National Grid shall file properly annotated tariff pages in compliance with the Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin Rules, Puc 1603.

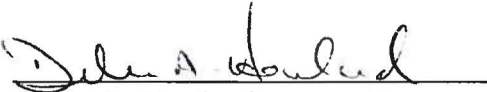
By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2012.


Amy Ignatius
Chairman


Michael D. Harrington (KWS)
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DISCOVERY MATERIALS

Pursuant to N.H. Admin Rule Puc 203.09 (d) and 203.11 (a) (11) Electronic copies of all discovery shall be served on every person designated for discovery filings on the Commission's official service list. [Discovery shall not be filed as part of a docket filing pursuant to 203.02]

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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
CONCORD NH 03301-2429
- 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.