

DG 99-029

NORTHERN UTILITIES, INC. - PELHAM DIVISION

1999 Summer Cost of Gas Adjustment

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

O R D E R N O. 23,204

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. - Pelham Division (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 a cover letter and supporting schedules of Kelly L. Mullen, Rate Analyst. The filing proposed a 1999 Summer CGA *credit* of \$0.0117 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 decrease 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 *credit* of \$0.0117 per therm was calculated by reducing the anticipated cost of gas of \$7,757 for an over collection and related interest totaling \$1,820 and dividing the resulting anticipated costs of \$5,937 by projected therm sales of 18,550 to arrive at a per unit cost of gas of \$0.3201 per therm, and then deducting the base summer cost of gas of \$0.3318 per therm.

Northern's proposed 1999 Summer CGA is a *credit* of \$0.0117 per therm for Firm Sales customers, representing a decrease of \$0.2281 per therm from the 1998 Summer CGA *charge* of \$0.2164 per therm.

The proposed firm sales CGA rate of (\$0.0117) per therm

will decrease customer's monthly gas bills in the range of 15 to 30 percent from last summer, based on volumes used.

B. Factors Contributing to the Decreased CGA

Projected gas costs are twenty percent lower than those that were projected for the 1998 summer period, due to a drop in propane prices. In addition, the prior period over collection and related interest of \$1,820 was credited against this year's projected costs, a reduction of approximately twenty five percent.

Ms. Izzo testified that the over collection was due in part to Northern being unaware of the over collection in time to make a monthly adjustment that would have reduced or eliminated it. Ms. Izzo also stated that Northern was now better staffed than last summer and would be more closely monitoring changes in the Pelham Division and planned to take full advantage of the available monthly rate adjustment if deemed appropriate.

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 commercial space heating service reflects Base Rate of \$0.5304 per therm for the first 525 therms and a CGA credit of \$0.0117 per therm for a Net Rate of \$0.5187 per therm. The proposed change to the Rate Schedule would reflect a Distribution Charge of \$0.1986 per therm and a Gas Charge of \$0.3201 per therm for a Net Rate of \$0.5187 per therm.

Northern asserted that the proposed changes in the tariff pages would clearly delineate the gas and non-gas costs of providing 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 credit of \$0.0117 per therm which is \$0.2281 per therm less than the 1998 firm sales CGA charge of \$0.2164 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 cost gas. 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 Eighteenth Revised Page 33, N.H.P.U.C. tariff of Northern Utilities, Inc. - Pelham Division, providing for a Summer CGA **credit** of \$0.0117 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 (\$0.0117) 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 \$0.3201 per therm (or \$0.0320 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 33 - 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 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 tariff page 33, Pelham

Division Cost of Gas Calculation shall be revised to include the maximum and minimum per unit cost that can be charged during the period without Northern filing a revised CGA; and it is

FURTHER ORDERED, that Northern 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 twenty-third day of April, 1999.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary