

DG 99-097

NEW HAMPSHIRE GAS CORPORATION

Revised 1999 Summer Cost of Gas Adjustment

Order Approving Revised Cost of Gas Adjustment and Tariffs

O R D E R N O. 23,269

July 28, 1999

APPEARANCES: Ransmeier & Spellman by Dom S. D'Ambruoso, Esq. on behalf of New Hampshire Gas Corporation; and Larry S. Eckhaus, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On July 7, 1999, New Hampshire Gas Corporation (NHGC), a public utility engaged in the business of distributing gas in Keene, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) a revised Cost of Gas Adjustment (CGA) for the 1999 summer period. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of John F. DiBernardo, Assistant General Manager for NHGC.

An Order of Notice was issued setting a hearing for July 23, 1999. NHGC informed customers of the impending change by publishing a copy of the Order of Notice in the Keene Sentinel on July 11, 1999.

There were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on July 23, 1999.

II. POSITIONS OF THE PARTIES AND STAFF

New Hampshire Gas Corporation

NHGC witness John F. DiBernardo, Assistant General Manager, addressed the following issues: a) calculation of the revised CGA and the impact on customer bills; b) reasons contributing to the increased rate; and c) the projected under collection.

A. Calculation and Customer Impact of the Revised CGA

The filing proposed a revised 1999 Summer CGA rate of \$0.4974 per therm (allowing for monthly, cumulative adjustments not to exceed a maximum rate of \$0.5471 per therm and a minimum rate of \$0.4476 per therm), an increase of \$0.1107 per therm over the approved 1999 Summer CGA rate of \$0.3867 per therm. The mid-course increase was deemed necessary to reduce a substantial under collection.

The proposed 1999 Revised Summer CGA rate of \$0.4974 per therm was calculated by using the weighted average cost of propane based on propane market futures prices as quoted in the *Boston Globe* on July 1, 1999, for the months of August, September, and October.

The \$0.1107 per therm increase would cause an increase of \$2.21 (8.6%) per month to an average residential customer and an increase of \$11.51 (10.4%) for the average commercial customer.

B. Factors Contributing to the Increased CGA

Keene experienced an exceptionally warm April and May, resulting in substantially lower than forecast revenues for the first two summer months. Mr. DiBernardo explained that May bills are based on meter readings that are performed early in the month and, therefore, are based primarily on April usage, while May costs are based on expenses incurred during the month of May. Forecast sales for May comprise 30% of total projected summer sales, whereas forecast costs for the month represent only 20% of summer costs. Consequently, the lower revenues in May are not fully offset by a corresponding decrease in costs.

Other significant items contributing to the proposed rate increase have been the steady rise in propane prices throughout the summer period and the purchase of all propane at spot market prices. Along with having incurred higher than projected costs over the first three months, the propane futures market price quotes are over eight cents per therm higher for the remaining months than initially projected, or approximately 20% higher.

C. Revised Projected Under Collection

NHGC calculated the over collection by using the CGA rate in effect for May, June, and July and the proposed rate for the remaining three months. The revised projected under collection is \$11,036 (8.8% below projected gas costs). If the proposed revised CGA rate were not adopted, the projected under

collection would be \$18,363 (14.7% below projected gas costs).

A revised rate of \$0.6058 per therm would be required to eliminate the projected under collection by the end of the current summer period, an increase of \$0.2191 per therm over the approved summer CGA rate of \$0.3867. NHGC proposed the lesser increase of \$0.1107 per therm to decrease the impact on customers' bills. NHGC expects that actual propane prices will be less than the current futures prices indicate. Along with that expectation, NHGC may make cumulative monthly adjustments of up to 10%, thereby further reducing or eliminating the projected under collection.

Staff

Staff stated that it had reviewed the filing and recommended that the Commission approve the proposed revised CGA as filed. Staff also recommended that NHGC consider securing a portion of its summer propane requirements at a fixed price or otherwise hedging summer supplies if circumstances so warranted, just as it does its winter supply.

III. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that NHGC's proposed 1999 Revised Summer CGA will result in just and reasonable rates and, therefore, we will approve the rates for effect August 1, 1999.

We are concerned that the approved increase does not eliminate the projected summer under collection, but the increase does reduce the projected under collection to less than 10%. Combined with the possibility of lower than projected propane prices and NHGC's ability to adjust the monthly rate by 10%, we believe the proposed increase is sufficient to allow NHGC to avoid a substantial over or under recovery that would then have to be carried into next summer's CGA, while being sensitive to the rate impact on customers.

In view of the volatility in propane prices, as experienced this summer, we encourage NHGC and Staff to explore possible hedging policies to reduce price swings while still minimizing gas costs for both the summer and winter periods.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's 2nd Revised Page 25 - Calculation of the Cost of Gas, providing for a Revised Summer CGA rate of \$0.4974 per therm for the period August 1, 1999 through October 31, 1999, is APPROVED effective for bills rendered on or after August 1, 1999; and it is

FURTHER ORDERED, that NHGC may adjust the approved Revised Summer CGA rate of \$0.4974 per therm upward or downward monthly based on NHGC'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 \$0.4974 per therm (or \$0.0497 per therm) and can not change more than ten percent (10%) in any given month; and it is

FURTHER ORDERED, that NHGC 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. NHGC shall include a revised tariff page 25 - Calculation of Cost of Gas Adjustment and revised rate schedules if NHGC 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 NHGC 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-eighth day of July, 1999.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Claire D. DiCicco
Assistant Secretary