

DG 99-144

**NEW HAMPSHIRE GAS CORPORATION**

**1999/2000 Winter Cost of Gas**

**Order Approving the Cost of Gas**

**O R D E R   N O.   23,332**

**October 29, 1999**

**APPEARANCES:** Ransmeier & Spellman by Dom S. D'Ambruoso, Esq. on behalf of New Hampshire Gas Corporation; and Robert Egan and Stephen P. Frink for the Staff of the New Hampshire Public Utilities Commission.

**I.    PROCEDURAL HISTORY**

On October 1, 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) its Cost of Gas (COG) for the period November 1, 1999 through April 30, 2000. 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 October 19, 1999. NHGC informed customers of the impending change by publishing a copy of the Order of Notice in the Keene Sentinel on October 6, 1999. There were no intervenors in this docket.

**II. POSITIONS OF THE PARTIES AND STAFF****A. New Hampshire Gas Corporation**

NHGC witnesses Mark A. Cole, General Manager, and John F. DiBernardo, Assistant General Manager, addressed the following issues: 1) calculation of the revised COG and the impact on customer bills; 2) reasons contributing to the increased rate; and 3) gas supply purchasing policies.

**1. Calculation and Customer Impact of the Revised CGA**

The proposed 1999/2000 Winter COG rate of \$0.6345 per therm was calculated by reducing the anticipated cost of gas of \$472,201 by a prior period over-collection and related interest of \$3,974 and dividing the resulting anticipated costs of \$468,227 by projected therms sales of 737,909.

NHGC's proposed 1999/2000 Winter COG rate is \$0.6345 per therm, representing an increase of \$0.2912 per therm from the 1998/1999 average Winter COG rate of \$0.3433 per therm.

The proposed 1999/2000 Winter COG rate of \$0.6345 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 September 28, 1999 for the months of November 1999 through April 2000.

The \$0.2912 per therm increase in the Winter COG rate would cause an increase of \$21.26 (30%) in the average monthly bill of a typical residential heating customer and a \$113.28

(37%) increase in the average monthly bill of a typical commercial heating customer.

## **2. Factors Contributing to the Increased CGA**

Mr. DiBernardo explained that last winter's rate included the return of a prior period over-collection of approximately \$80,000, which artificially reduced last winter's COG rate. The over-collection included in the 1998/1999 winter period lowered last year's COG rate by over ten cents per therm. With the use of monthly adjustments last winter, the over-collection has been essentially eliminated and this winter's COG rate reflects current market prices.

Mr. DiBernardo further stated that the futures prices used to calculate the CGA were the highest in memory, whereas last winter's propane prices were extremely low. Mr. DiBernardo noted that in the October 18, 1999 *Wall Street Journal*, the spot market price of propane was \$0.4688 per gallon compared to a spot market price of \$0.2550 on the same date last year.

## **3. Gas Supply Purchasing Policies**

Pursuant to the Operating and Propane-air Sales Supply Agreement entered into between NHGC and Keene Gas Corporation (KGC) at the time NHGC acquired the utility franchise and distribution properties, KGC continues to manufacture the propane-air product which NHGC purchases for distribution and resale to its utility customers. The arrangement remains in

effect until NHGC builds its own supply plant. Mr. Cole testified that NHGC expects to have such a plant in service by November 1, 2001. Until that time, Mr. Cole consults with the KGC purchasing agent regarding propane purchasing strategies. To date, the KGC purchasing policies have been consistent with those of NHGC's parent company, New York Electric & Gas Corporation.

**B. Staff**

Staff stated that it had reviewed the filing and recommended that the Commission approve the proposed COG as filed. Staff also recommended that NHGC consider establishing a hedging policy and introducing a "fixed price" program, whereby customers would have the option of securing winter supplies at a set price.

**III. COMMISSION ANALYSIS**

After careful review of the record in this docket, we find that NHGC's proposed 1999/2000 Winter COG rate will result in just and reasonable rates and, therefore, we will approve the rates for effect November 1, 1999.

In view of the volatility in propane prices, as reflected in the futures prices for this winter compared to last winter's actual prices, we encourage NHGC and Staff to explore possible hedging policies to reduce price swings while still minimizing gas costs. In addition, we direct NHGC to investigate the feasibility of offering a fixed price program for the

2000/2001 winter period.

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

**ORDERED**, that NHGC's 5th Revised Page 25 - Calculation of the Cost of Gas, providing for a Winter COG rate of \$0.6345 per therm for the period November 1, 1999 through April 30, 2000, is APPROVED effective for bills rendered on or after November 1, 1999; and it is

**FURTHER ORDERED**, that NHGC may, without further Commission action, adjust the approved Winter COG rate of \$0.6345 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 (or \$0.0635 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 COG 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 and revised rate schedules if NHGC elects to adjust the COG 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-ninth day of October, 1999.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary