

DG 00-056

NORTHERN UTILITIES, INC.

2000 Summer Cost of Gas

Order Approving the Cost of Gas
and Revised Conservation Surcharges

O R D E R N O. 23,446

April 26, 2000

APPEARANCES: Rubin & Rudman, L.L.P., by Frank Pozniak, 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 17, 2000, Northern Utilities, Inc.(Northern) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) and revised Conservation Charge for the period May 1, 2000 through October 31, 2000 for Northern's natural gas operations in the Seacoast area of New Hampshire. The filing included the pre-filed direct testimony and supporting attachments of Marjorie H. Izzo, Manager of Rate Administration.

An Order of Notice was issued on March 20, 2000. Northern informed customers of the impending rate change by publishing a copy of the Order of Notice in the *Foster's Daily Democrat*, *Portsmouth Herald* and *Eagle-Tribune* on March 23, 24 and 25, 2000, respectively.

On April 11, 2000, Northern filed a revised proposed COG. The revised filing updated the natural gas costs based on the most recent futures prices as quoted in the *Wall Street Journal*, increasing the proposed Summer COG rate to \$0.4763 per therm from the \$0.4421 per therm rate proposed in the original March 17, 2000 filing.

There were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on April 14, 2000.

II. POSITIONS OF THE PARTIES AND STAFF

Northern Utilities, Inc.

Northern's witness Marjorie H. Izzo, Manager of Rate Administration, and Joseph A. Ferro, Director of Revenue Development, addressed the following issues: a) calculation of the COG rate and the impact on customer bills; b) factors contributing to the increased COG rate; c) reasons for the 1999 Summer COG under-collection; and d) basis for the revised Conservation Charges.

A. Calculation and Rate Impact of the Proposed COG Rate

The proposed 2000 Summer COG rate of \$0.4763 per therm (allowing for monthly, cumulative adjustments at levels to produce COG rates not to exceed a maximum rate of \$0.5239 per therm and a minimum rate of \$0.4286 per therm) was

calculated by increasing the anticipated cost of gas of \$4,440,843 by net adjustments of \$475,014 and dividing the adjusted gas costs of \$4,915,857 by projected therm sales of 10,321,700.

Northern's proposed 2000 Summer COG rate of \$0.4763 per therm represents an increase of \$0.1302 per therm from last summer's weighted average rate of \$0.3461 per therm.

The COG rate does not include the \$0.0080 per therm charge for the Wells LNG tank project (Wells) exit fee which was approved in Commission Order No. 23,330 (October 23, 1999) and included in the 1999/2000 Winter COG rate. The Wells exit fee rate is set annually, effective November 1. At Staff's request, the Wells exit fee is reflected as a separate surcharge.

If the proposed COG rate is in effect for the entire summer period, an average residential heating customer's monthly bill would be \$5.86 greater than last summer, a 16.07% increase.

B. Factors Contributing to the Increased COG

Two factors contributed to the increase in the proposed COG rate compared to last summer's rate: 1) a significant under-collection carried forward from the prior period; and 2) a substantial increase in the projected gas

costs.

The 1999 Summer COG rate calculation included an over-recovery credit of \$204,031 compared to an under-recovery charge of \$472,844 included in this summer's calculation.

Natural gas and supplemental fuel prices have increased from last summer and the futures prices used in the calculation of the 2000 Summer COG rate are also higher.

C. Reasons for the 1999 Summer Under-Collection

Commission Order No. 23,203 (April 23, 1999), approving Northern's 1999 Summer COG rate, allowed Northern the ability to adjust the approved rate upward or downward on a monthly basis without filing with the Commission, with cumulative adjustments not to exceed 10%. As the cost of natural gas rose during the 1999 Summer period, Northern implemented a price increase of 7% effective August 1, 1999, designed to eliminate the projected under-collection at that time. The following monthly report projected a \$324,814 under-collection but Northern elected not to increase the monthly rate another 3% because it would not have a material impact. A change on September 1, 1999 would have reduced the under-collection by \$36,473.

The under-collection at the end of the period was \$472,844 and was due primarily to lower than forecasted sales.

Northern attributed the reduction in sales to the migration of commercial and industrial customers from firm sales service to transportation service.

D. Revised Conservation Charges

Northern requested revised Conservation Charges to adjust for a projected under-collection in the Residential Heating Program and a projected over-collection in the Small Commercial Program.

Effective November 1, 1999, Northern's Demand Side Management (DSM) programs were suspended, although Commission Order No. 23,330 approved Northern's proposed Conservation Charges designed to recover 'phase out' expenses, lost revenues and estimated over/under-collections.

In the residential program, a last minute surge in high efficiency heating system rebate requests occurred prior to closing the program and resulted in unanticipated expenses.

Two energy efficiency projects in the small commercial program that Northern had budgeted for did not come to fruition and resulted in lower expenses. The reduction in the small commercial Conservation Charge is designed to reduce revenues accordingly.

II. STAFF

At the hearing, Staff stated its support for the

proposed 2000 Summer COG rate of \$0.4763 per therm and the revised Conservation Charges.

Staff also requested that future COG filings include two specific items to assist in its review: 1) prior tariff pages that delineate the proposed changes; and 2) a variance analysis of the projected gas costs in the proposed COG compared to the actual gas costs from the prior period.

III. COMMISSION ANALYSIS

After reviewing the record, we conclude that the proposed 2000 Summer COG of \$0.4763 per therm and the revised Conservation Charges as proposed by Northern will result in just and reasonable rates, and, therefore, are hereby approved.

We do not consider the Wells LNG Tank exit fee, previously approved for recovery, to be a cost of gas and therefore approve recovery through a separate surcharge rather than as an added charge in the COG rate.

To assist Staff in its review of future COG filings, we direct Northern to file a schedule that details the variance between the projected gas costs and the prior period actual gas costs. In the future, Northern is also directed to file prior tariff pages that delineate the proposed changes, in compliance with Puc 1603.05(b).

Based upon the foregoing, it is hereby

ORDERED, that Northern's Thirtieth Revised Page 32, Sheet No. 1, and Twenty-ninth Revised Page 32, Sheet No. 2, respectively, N.H.P.U.C. tariff of Northern Utilities, Inc. - New Hampshire Division, providing for a Winter COG rate of \$0.4763 per therm for the period of May 1, 2000 through October 31, 2000, is APPROVED, effective for bills rendered on or after May 1, 2000; and it is

FURTHER ORDERED, that Northern may, without further Commission action, adjust the approved COG rate 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 exceed ten percent (10%) of the approved unit cost of gas (or \$0.0476 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 COG 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 32 - Calculation of Cost of Gas and revised rate schedules if Northern elects to adjust

the COG rate; and it is

FURTHER ORDERED, that the over or under-collection shall accrue interest at the Prime Rate reported in the *Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first date of the month preceding the first month of the quarter; and it is

FURTHER ORDERED, that Northern's Third Revised Page 34 Superseding Second Revised Page 34, providing for a surcharge of \$0.0080 per therm to recover the cost of the Wells LNG tank exit fee, is APPROVED, effective for bills rendered on or after May 1, 2000; and it is

FURTHER ORDERED, Northern's Eighth Revised Page 36, providing for Conservation Charges of Residential Non Heating at (\$0.0031) per therm, Residential Heating at \$.0102 per therm, Small Commercial at (\$0.0017) per therm, and Large Commercial at \$0.0060 per therm, to recover costs related to Northern's DSM Program, is APPROVED, effective for bills rendered on or after May 1, 2000; 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-sixth day of April, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary