

DG 00-046

NORTHERN UTILITIES, INC.

Rate Redesign

Order Approving Procedural Schedule

O R D E R N O. 23,524

July 5, 2000

APPEARANCES: Rubin and Rudman LLP by John A. DeTore, Esq. for Northern Utilities, Inc.; Office of the Consumer Advocate by Kenneth E. Traum on behalf of residential ratepayers; and Larry S. Eckhaus for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 1, 2000, Northern Utilities, Inc. (Northern) filed with the New Hampshire Public Utilities Commission (Commission) a Notice of Intent to File Rate Schedules. On April 14, 2000, Northern submitted the proposed rate schedules. The filing included Northern's proposed tariff revisions and supporting documentation, including prefiled testimony and exhibits. On May 12, 2000, Northern notified the Commission that, subsequent to the submission of its April 14, 2000 filing, Northern identified certain technical errors in the cost studies used to derive its proposed rates. Therefore, Northern filed a corrected version of those aspects of its filing which were modified as a result of the identified changes.

According to Northern, the proposed rates are designed to be revenue neutral. That is, in total, the proposed rates would produce the same level of revenues as the existing rates, assuming no change in billing determinants. Thus, no rate increase is proposed. However, the proposed delivery rates for individual rate classes and customers have changed. Some classes and customers would experience increases while others would experience decreases.

Northern proposes identical delivery rates for both sales and transportation customers. The delivery rates will contain no gas supply related costs so that customers will be indifferent, from a delivery rate perspective, as to whether they opt for supply service from Northern or from another supplier. Northern states that the proposed delivery rates are designed to more closely reflect the cost of serving the various customer classes.

Northern also proposes a revised Cost of Gas (COG) clause so that all gas supply related costs will be recovered in the COG. The revised COG clause provides for class-specific gas cost rates that will more closely reflect the cost to provide gas supply service to each class than the current COG rates, which are uniform for all classes.

Northern proposed that the rates be effective November 1, 2000, coincident with its next winter COG rate change. In order to implement the necessary billing system changes, to re-classify customers into new rate classes, and to give customers notice of the changes in rates and rate classes, Northern states that it will require approximately two months between the date of the Commission's decision on the proposed rates and the effective date of the rates.

By an Order of Notice issued April 27, 2000, the Commission scheduled a Prehearing Conference and Technical session for May 25, 2000, and set deadlines for intervention requests and objections thereto. On May 12, 2000, the Office of the Consumer Advocate (OCA) filed a Notice of Intent to Participate in this docket on behalf of residential utility consumers pursuant to the powers and duties granted to the OCA under RSA 363:28,II. No other petitions to intervene were filed.

At the Prehearing Conference, the Commission requested that the parties and Commission Staff (Staff) state their preliminary positions for the record. Northern stated that it has two very broad objectives in proposing this rate design: redesign existing rates to be consistent with the Commission's rate design precedent, in particular, that rates

should be cost based, and design rates that will facilitate increased retail competition on Northern's system. Northern also stated that the filing is revenue neutral and comprised of three major components. First, Northern proposes to fully unbundled its gas supply and delivery functions to ensure that the same delivery rates are being charged to both sales and transportation customers so that Northern is indifferent, from a revenue perspective, as to whether a customer remains a sales customer or migrates to transportation-only service. Second, Northern has presented marginal and accounting cost of service studies which lead to proposed changes in customer classifications. This results in proposed rates which are more closely based on the cost of service. Third, Northern has recommended a modification to the cost of gas clause to implement load-factor-specific gas cost rates. Northern hopes that the revisions to the base rates and cost of gas clause will send clearer price signals to customers to facilitate competition in that the rates the customers will pay will reflect the costs they are causing the system to incur.

The OCA stated that it does not have a preliminary position on the filing at this time. The OCA indicated that it had only received Governor and Council approval to retain their consultant the day before the Prehearing Conference and

that the consultant had not had the opportunity to start to analyze the filing. The OCA stated it plans to analyze the filing and will specifically address any areas of disagreement with Northern and Staff and/or will develop its own cost of service study as appropriate.

Staff stated it is premature for it to take a position with regard to the filing. Staff also stated that it recognizes that the redesign of Northern base rates is essential to move forward with restructuring as presented in Docket No. DE 98-124. Staff indicated that it has been approximately ten years since Northern's base rates have been set in a rate case. Therefore, it would be appropriate to look at Northern's costs at this time and establish new base rates.

On June 14, 2000, Northern filed with the Commission an Affidavit of Publication of the display advertisement which noticed the public hearing scheduled for May 25, 2000 and detailed the specific rate impacts for the residential classes and general rate impacts for the commercial and industrial classes. The display advertisement ran on May 20, 2000 in *Foster's Daily Democrat*. Northern also provided tear sheets for the display advertisement as published on May 20, 2000 in the *Union Leader*, *Eagle Tribune*, and *Portsmouth Herald*.

On June 20, 2000, Staff filed with the Commission a proposed procedural schedule to govern the orderly progression of the proceeding. Staff indicated that it obtained the concurrence of Northern and OCA. The proposed schedule is as follows:

Technical Session	June 12, 2000;
Rolling Data Requests to Company Final Requests Due by	July 21, 2000;
Rolling Company Responses Final Responses Due by	August 4, 2000;
Intervenor Testimony	August 18, 2000;
Data Requests to Intervenor	September 1, 2000;
Intervenor Responses	September 15, 2000;
Staff Testimony	September 29, 2000;
Data Request to Staff	October 13, 2000;
Staff Responses	October 27, 2000;
Company & Intervenor Rebuttal Testimony	November 9, 2000;
Deadline to File Motion for Consolidation of Hearings with Docket DG 00-063, <i>EnergyNorth Natural Gas, Inc.</i>	November 15, 2000;
Hearings	To Be Determined (December 2000);
Briefs/Reply Briefs	To Be Determined;
Commission Order	by Feb. 26, 2001;
Effective	To Be Determined.

The Parties and Staff also indicated that they recognize that there may be issues common to both Docket DG 00-063, *EnergyNorth Natural Gas, Inc.* and Docket DG 00-046, *Northern Utilities, Inc.* rate redesign proceedings. The Parties and Staff indicated that they recognize that the Commission may wish to consider the consolidation of hearings, pursuant to Puc 203.08, in order to promote the orderly and efficient conduct of the proceedings. The Parties and Staff agreed that any request for consolidation of hearings, pursuant to Puc 203.08, shall be filed with the Commission no later than November 15, 2000, with any objections to such motion(s) to be filed within ten days of the date on which the motion is filed pursuant to Puc 203.04(g).

II. COMMISSION ANALYSIS

We find the proposed procedural schedule to be reasonable and will, therefore, approve it for the duration of the proceeding.

Additionally, we find that the Prehearing Conference scheduled for May 25, 2000 was properly noticed in accordance with Puc Rule 203.01(b) and 203.01(d). Rule 203.01(b) requires that the Commission shall direct the petitioner to give notice to the general public by a newspaper of general circulation serving the area affected by the petition. Rule

203.01(d) requires that the Commission shall direct such other means of notice as it deems appropriate and advisable in order to ensure meaningful notification to interested parties. The Order of Notice was published in four newspapers serving Northern's territory. Additionally, the display advertisement describing the general rate impacts was similarly published. Northern has also mailed to all of its customers a bill insert describing Northern's request for approval of rate changes and the rate impacts by rate class. Altogether, these notices have served to inform Northern's customers of the proceeding and Northern's proposed rate redesign.

Based upon the foregoing, it is hereby

ORDERED, that the procedural schedule delineated above is APPROVED.

By order of the Public Utilities Commission of New Hampshire this fifth day of July, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary