

DG 00-190

ENERGYNORTH NATURAL GAS, INC.

Petition for Increase in  
Credit Limit of Fuel Inventory Trust

Order NISI Approving Fuel Inventory Trust Credit Limit  
Increase

O R D E R    N O.    23,561

September 25, 2000

The Petitioner, EnergyNorth Natural Gas, Inc. (ENGI), filed an Application for Approval of an Increase in the Credit Limit of its Fuel Inventory Trust (Trust), on September 12, 2000. ENGI requested to increase the credit limit of the Trust and related Revolving Credit Agreement from \$10,500,000 to \$15,500,000.

By Order No. 15,988, the New Hampshire Public Utilities Commission (Commission) established a fuel inventory trust financing mechanism. *Re Gas Service, Inc.*, 67 NH PUC 795 (1982). Gas Service, Inc. was permitted to sell fuel to the trust to be held for resale to the company on demand. The creation of the inventory trust fund removed fuel inventory from Gas Service, Inc.'s rate base, thereby reducing basic rates. The Commission also authorized separate financing under a fuel inventory trust for ENGI's predecessor, Manchester Gas Company. *Re Manchester Gas Company*, 67 NH PUC 844 (1982).

By Order No. 20,551, the Commission extended the

termination date of ENGI's Trust and related Revolving Credit Agreement from November 1992 to November 1997 and increased the credit limit. *EnergyNorth Natural Gas, Inc.*, 77 NH PUC 392 (1992). Order No. 21,059 further increased the Trust's credit limit to \$9,500,000. *EnergyNorth Natural Gas, Inc.*, 78 NH PUC 717 (1993). Order No. 22,743 extended the termination date from November 1997 to February 2002 and increased the credit limit from \$9,500,000 to the current \$10,500,000. *Re EnergyNorth Natural Gas, Inc.*, 82 NH PUC 707 (1997).

The Trust's purchase of fuel from ENGI is financed under a Revolving Credit Agreement between the Trust and Fleet Bank-New Hampshire (Fleet). The commitment fee is three-eighths of one percent (0.00375) of the credit line and interest is charged at either the Prime Rate or the London Interbank Offered Rates (LIBOR). LIBOR-based rates are applied to fuel inventory that is turned over at either 30, 60 or 90-day intervals. ENGI typically turns the fuel inventory over at the above mentioned intervals in order to take advantage of the lower LIBOR rates. LIBOR rates as quoted in the September 15, 2000 Wall Street Journal are under seven percent.

The Trust and ENGI have an agency agreement whereby the Trust has appointed ENGI as its exclusive agent for handling all matters regarding the fuel during the period of the Trust's ownership of the fuel. The gas included in the fuel inventory trust consists

of liquid natural gas, liquid propane gas and storage natural gas. The price of the fuel sold to the trust is the price ENGI pays to purchase and transport the fuel. ENGI repurchases the fuel at the original selling price plus finance charges and a trust management fee. These costs are recorded by ENGI as a cost of gas.

Based on a cash flow analysis performed by ENGI using current prices, ENGI anticipates that it will exceed its credit limit by the end of September 2000. Based on current and projected gas prices, the projected fuel inventory costs will exceed the current \$10,500,000 credit limit in September and exceed \$15,000,000 by December 2000. If gas prices continue to climb, the amount of fuel inventory not financed by the Trust would be even greater. If ENGI is unable to finance its gas purchases through the Trust, then those purchases would have to be financed within the limits of its short-term borrowings from which working capital expenditures and other items must also be financed. In addition, financing a portion of the fuel inventory with short-term borrowing jeopardizes the advantages of excluding fuel inventory from rate base in future rate proceedings.

The Commission approved the Trust in 1982 (see orders cited above) and has both extended and increased the credit limit in the ensuing years to provide ENGI financial flexibility to meet its other capital requirements, enhance its ability to have adequate

supplies of fuel available, and save money for the customers. We believe the Trust continues to provide those advantages and that an increase in the credit limit is necessary to allow for price volatility in the gas markets. Therefore, and in accordance with RSA 369, we find that approval of the petition is in the public good.

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

**ORDERED NISI**, that EnergyNorth Natural Gas, Inc.'s request for authorization to increase the credit limit from \$10,500,000 to \$15,500,000 is APPROVED; and it is

**FURTHER ORDERED**, that ENGI shall file with this Commission copies of the executed Fuel Inventory Trust and Revolving Credit Agreement within ten (10) days of the date they are entered into; and it is

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than October 2, 2000 and to be documented by affidavit filed with this office on or before October 9, 2000; and it is

**FURTHER ORDERED**, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this

matter before the Commission no later than October 16, 2000;  
and it is

**FURTHER ORDERED,** that any party interested in  
responding to such comments or request for hearing shall do so  
no later than October 23, 2000; and it is

**FURTHER ORDERED,** that this Order Nisi shall be  
effective October 25, 2000, unless the Commission provides  
otherwise in a supplemental order issued prior to the  
effective date.

By order of the Public Utilities Commission of New  
Hampshire this twenty-fifth day of September, 2000.

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Douglas L. Patch  
Chairman

Susan S. Geiger  
Commissioner

Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary