

DG 00-254

ENERGYNORTH NATURAL GAS, INC.

**Petition to Participate in KeySpan Utility Money Pool
to Finance Fuel Inventory**

**Order NISI Approving Participation in KeySpan Utility Money
Pool**

O R D E R N O. 23,593

December 1, 2000

On November 8, 2000, EnergyNorth Natural Gas, Inc. (ENGI), filed with the New Hampshire Public Utilities Commission (Commission) a Petition for Approval to Participate in the KeySpan Utility Money Pool to Finance Fuel Inventory (Petition). ENGI requested authorization to enter into the KeySpan Utility Money Pool Agreement (Utility Money Pool) with credit limits of \$15,500,000 for fuel inventories and \$21,000,000 for short-term debt.

The Utility Money Pool will be primarily funded by KeySpan Corporation (KeySpan), ENGI's ultimate parent company, and administered by KeySpan Corporate Services LLC (KCS), another subsidiary of KeySpan. The other participants in the pool are the following utility companies, each of which are either direct or indirect wholly-owned subsidiaries of KeySpan: Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York; KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island; KeySpan Generation LLC; Boston

Gas Company; Colonial Gas Company; Essex Gas Company; and ENGI.

By Order No. 15,988, the Commission established a fuel inventory trust financing mechanism (Trust). *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 Trust removed fuel inventory from Gas Service, Inc.'s rate base, thereby reducing basic rates. The Commission also authorized separate financing under a Trust for ENGI's predecessor, Manchester Gas Company. *Re Manchester Gas Company*, 67 NH PUC 844 (1982). The Commission has approved extending the Trust and increasing the credit limit numerous times, although the mechanism has remained unchanged. ENGI is currently authorized to borrow up to \$15,500,000 for fuel inventory purposes as authorized by Order No. 23,561 (September 25, 2000) and \$21,000,000 for other short-term purposes as authorized by Order No. 23,311. *Re EnergyNorth Natural Gas, Inc.*, 84 NH PUC 526 (1999).

ENGI is now seeking Commission approval to replace the existing Trust as expressly approved by prior order of the Commission, but will continue to segregate and recover those costs through the cost of gas reconciliation process up to the approved credit limit, as incurred.

Funds borrowed from the Utility Money Pool for

purposes of financing fuel inventory will be exclusively from external funding and will be charged the direct interest cost of the external funds, as well as its allocated share of administrative costs. ENGI is too small to have its own commercial paper program, but as a participant in the money pool ENGI will be able to receive the same favorable borrowing rates as larger companies. Typically, commercial paper programs have average outstanding balances in excess of \$100 million and require investment grade ratings by independent credit rating agencies. ENGI retains the right to acquire financing outside the money pool and KeySpan will periodically compare borrowing rates available to ENGI from banks with KeySpan's commercial paper borrowing rates to ensure that ENGI borrows at the lowest available rate. KCS shall be responsible for the determination of all applicable interest rates and charges and shall provide monthly cash accounting reports to the parties. Additionally, KCS will be required to file periodic reports to the Securities and Exchange Commission.

ENGI anticipates annualized savings on fuel inventory financing in excess of \$100,000 due to reduced inventory financing fees and lower interest rates. These savings will be passed through directly to customers in gas

commodity charges established through the Cost of Gas mechanism.

Additional annualized savings of over \$100,000 are anticipated on short-term debt under the Utility Money Pool. The participants would contribute cash surpluses to the Utility Money Pool and make withdrawals from the Utility Money Pool as needed to meet other short-term borrowing requirements. To the extent that combined surpluses are not sufficient to meet the participants' short-term borrowing requirements, KeySpan would generally issue commercial paper or other short-term debt instruments to obtain additional funds to meet the short-term borrowing needs of the participating companies. Withdrawals from the Utility Money Pool by any participant would be made at an interest rate that reflects the interest costs of the consolidated funds in the Utility Money Pool, and each participant in the Utility Money Pool would reimburse KeySpan for administrative costs. The Agreement should enable ENGI to reduce borrowing costs and increase its return on temporary fund surpluses.

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 participation in the Utility Money Pool will provide the same benefits at an even greater savings.

The Commission has approved similar arrangements in the past. See *Re UNITIL Power Corporation*, 71 NHPUC 121 (1986); *Re UNITIL Power Corporation*, 71 NHPUC 567 (1986); *Re Kearsarge Telephone Company*, 74 NHPUC 45 (1989); *Re Meriden Telephone Company*, 74 NHPUC 50 (1989); and *Hampton Water Works Company*, Order No. 23,535 (July 21, 2000).

Accordingly, 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 enter into the Utility Money Pool is APPROVED, subject to the following conditions: (a) receipt of the requisite approval from the Massachusetts Department of Energy and Telecommunications; (b) the Commission's ongoing authority under RSA 366:7 to review the reasonableness of interest income, payments and allocations; (c) the Commission's authority to have access to KSC's books, records, bills, accounts and other documents; and (d) KSC providing to the Commission copies of periodic reports to the Securities

and Exchange Commission; and it is

FURTHER ORDERED, that, pursuant to RSA 369:1, RSA 369:7 and NH Admin Rule Puc 608.05, ENGI may borrow up to \$15,500,000 for fuel inventory purposes from the Utility Money Pool and up to \$21,000,000 for other short-term purposes, which limits shall not be modified without prior Commission approval; and it is

FURTHER ORDERED, that ENGI shall file with this Commission copies of the executed KeySpan Money Pool Agreement within ten (10) days of the date entered into; and it is

FURTHER ORDERED, that ENGI shall file with this Commission a copy of the monthly cash accounting report when developed and report, on an annual basis along with its Annual Report to the Commission, the results of participating in this Agreement, including the amounts loaned to and borrowed from the Utility Money Pool, the net savings of all transactions with the Utility Money Pool as opposed to how the Company presently conducts its business and handles its own cash operations, and any other relevant information which would present a clear picture of the results of participating in the agreement; and it is

FURTHER ORDERED, that ENGI provide the Commission with a copy of all orders in other jurisdictions, not already provided, approving the Utility Money Pool within ten (10)

days of their issuance; and it is

FURTHER ORDERED, that ENGI submit to the Commission any modification to the terms specified in the Agreement within ten (10) days after they are executed in accordance with RSA 366:3; and it is

FURTHER ORDERED, that ENGI 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 December 8, 2000 and to be documented by affidavit filed with this office on or before December 15, 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 December 20, 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 December 22, 2000; and it is

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

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effective date.

By order of the Public Utilities Commission of New
Hampshire this first day of December, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary