

NORTHERN UTILITIES, INC.

Petition for Permanent and Temporary Rate Increase

**Order Scheduling Prehearing Conference and Temporary Rate Hearing
and Suspending Proposed Tariffs**

O R D E R N O. 23,863

December 7, 2001

On September 19, 2001, Northern Utilities, Inc. (Northern) filed with the New Hampshire Public Utilities Commission (Commission), a notice of intent to file rate schedules and on November 15, 2001, filed a petition for an increase in permanent rates in the amount of \$3,834,344 which represents a 7.4% increase over weather normalized test year revenues, with a bill impact representing an average increase of 8.2% for customers, to be effective on December 16, 2001 (Petition). The Petition was accompanied by testimony from Stephen H. Bryant, John E. Skirtich, Paul R. Moul, Vincent DeVito, Timothy J. Tokish, John M. O'Brien, Earl M. Robinson, Mark P. Balmert, and Paula A. Strauss. Also filed that date was a Petition for Temporary Rates in the amount of \$3,631,049 or 7.0% over weather normalized test year revenues.

Northern is a public utility organized and existing under the laws of the State of New Hampshire and primarily engaged in distributing natural gas in the seacoast area of New Hampshire and Maine. Northern serves the New Hampshire cities

and towns of Dover, Durham, East Kingston, East Rochester, Exeter, Gonic, Greenland, Hampton, Hampton Falls, Kensington, Madbury, Newington, North Hampton, Pelham, Plaistow, Portsmouth, Rochester, Salem, Seabrook, Somersworth, Stratham, and limited areas of Atkinson and Rollinsford.

Northern asserts that the increase in revenues is required because it is not earning a return adequate to cover its cost of capital or a reasonable return on the actual cost of its property used and useful in the public service. Northern contends its overall rate of return was 4.87% for the test year ending June 30, 2001, which is substantially lower than the currently allowed 10.01% rate of return.

The filing raises, inter alia, issues related to: RSA 378 relative to rates and charges and more specifically the level of current earnings; whether the current rates are just and reasonable; whether temporary rates should be implemented and, if so, at what level; RSA 366 relative to affiliates of public utilities and the role and function of services provided to Northern by affiliate companies and the allocation of costs between affiliate companies; RSA 374 regarding general regulation of utilities; the appropriate level of capital investment for replacing bare steel mains and services and what constitutes an acceptable level of safety risk; customer service complaints (i.e., establishing customer performance benchmarks, reporting

requirements, penalties and incentives), and specifically, whether Northern should install an automated meter reading system; whether Northern should be allowed recovery of funding for the Gas Research Institute to perform industry-specific research and development initiatives; the basis for the quantitative information used to determine the revenue requirement; the methodologies employed, data included, and interpretation of the results of the lead-lag, depreciation and cost of equity studies; the appropriate return on equity; proforma adjustments; weather normalization; corporate income taxes; changes in indirect gas costs collected through the Cost of Gas mechanism; the appropriate level of permanent rates; and bill impacts.

Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc.'s NHPUC No. 10 - Gas Supplemental No. 1 Pages 1 through 23 and NHPUC No. 10 - GAS First Revised Pages 20, 38, 39, 40, 43, 44, 53, 54, 55, 55-a, 55-b, 56, 57, 59, 61, 63, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, 92, 94, 95, 96, 97, 98, 99, 99-a, Superseding Original Pages 20, 38, 39, 40, 43, 44, 53, 54, 55, 55-a, 55-b, 56, 57, 59, 61, 63, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, 92, 94, 95, 96, 97, 98, 99, 99-a, respectively, be and hereby are SUSPENDED pursuant to RSA 378:6, I(a); and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant

to N.H. Admin. Rules Puc 203.05, be held before the Commission located at 8 Old Suncook Road, Concord, New Hampshire on January 8, 2002, at 10:00 a.m. at which each party and Commission Staff (Staff) will provide a preliminary summary of its positions with regard to the Petition; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, Northern, Commission Staff and Intervenors hold a First Technical Session to review the noticed issues; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, Northern notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than December 11, 2001 in the *Foster's Daily Democrat*, *Portsmouth Herald* and *Eagle-Tribune*, publication to be documented by affidavit filed with the Commission on or before January 8, 2002; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Northern and the Office of the Consumer Advocate on or before January 3, 2002, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc

203.02 (a)(2); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before January 8, 2002; and it is

FURTHER ORDERED, that Staff and Intervenors may file testimony on Northern's temporary rate request no later than January 29, 2002; and it is

FURTHER ORDERED, that a hearing on the request for temporary rates will be held on February 7, 2002 at 10:00 a.m. at the Commission; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, Northern shall publish by January 22, 2002, a display advertisement pertaining to the Temporary Rate Hearing, details of which shall be determined in consultation between Northern and the Commission's Executive Director; and it is

FURTHER ORDERED, that the Executive Director shall arrange an evening public hearing in Northern's service territory and publish the date, time and location of the hearing in the display advertisement.

By order of the Public Utilities Commission of New Hampshire this seventh day of December, 2001.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary