

DG 03-067

NORTHERN UTILITIES, INC. - PELHAM DIVISION

2003 Summer Cost of Gas

Order Approving Cost of Gas Rate

O R D E R N O. 24,162

April 25, 2003

APPEARANCES: Rubin & Rudman, L.L.P., by Maribeth Ladd, Esq., on behalf of Northern Utilities, Inc. and Marcia A.B. Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 14, 2003, Northern Utilities, Inc. - Pelham Division (Northern), a utility providing propane service to 18 commercial customers located in Pelham, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) for the period May 1, 2003, through October 31, 2003. The filing was accompanied by supporting attachments and the Direct Testimony of Joseph A. Ferro, Manager of Regulatory Policy.

An Order of Notice was issued on March 17, 2003, and published in the *Union Leader* on April 5, 2003. The Commission received an affidavit of publication on April 9, 2003.

A duly noticed hearing on the merits was held at the Commission on April 17, 2003.

There were no intervenors in this docket.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern's Pelham Division consists of 18 customers who are supplied wholesale propane through one 19,000 gallon tank. Northern's witness Joseph A. Ferro, Manager of Regulatory Policy, testified as to the following issues: 1) calculation of the COG rate and the impact on customer bills; 2) factors contributing to the increased rate; and 3) plans to sell the system with minimal impact on the existing customers.

1. Calculation and Rate Impact

The proposed 2003 Summer COG rate of \$0.7392 per therm was calculated by decreasing the anticipated cost of gas of \$16,888 by the prior period over-collection of \$735 and related interest of \$23 and dividing the resulting anticipated costs of \$16,130 by projected therm sales of 21,821. Exh. 2 at 1.

Northern's proposed 2003 Summer COG rate of \$0.7392 per therm represents an increase of \$0.0698 per therm from the 2002 average weighted Summer COG rate of \$0.6694 per therm. Exh. 2 at 7.

Under the proposed rate, a typical Pelham customer using 273 therms will pay a total gas bill of \$405 for the summer of 2003 compared to a total gas bill of \$382 for the 2002 summer period, an increase of \$23 or 6.05%. Exh. 2 at 8.

Hearing Transcript of April 17, 2003 (4/17/03 Tr.) at 7 lines 21-24.

2. Factors Contributing to the Increased COG Rate

Northern testified that the increase in the proposed COG rate as compared to last summer's rate can be primarily attributed to the increase in propane prices from last summer to this summer. Both the current and projected costs of propane are higher this year than the costs paid last summer. Exh. 1 at 4.

3. Plans to Sell the Pelham System

In Order No. 23,958 (April 30, 2002), approving the Northern - Pelham Division 2002 Summer Cost of Gas, the Commission noted that the primary reason for "regulating the Pelham propane system was the understanding that Northern could extend natural gas service to that system at some future date," a result that Northern asserts is not economic for the foreseeable future. Accordingly, Northern was directed to investigate whether the potential transfer or termination of the franchise would be feasible, and to offer a plan that would result in minimal impacts on customers.

Northern testified that the plaza owner has expressed ambivalence about the idea of buying the system. Nonetheless, Northern continues to pursue the option of such a sale.

Northern testified that it had prepared a draft letter to the Pelham Plaza owner notifying him of Northern's intent to discontinue regulated propane service and sell the facilities, and offering to sell those facilities to the owner. 4/17/03 Tr. at 8 lines 8-24. The draft letter has been provided to Staff and Northern intends to meet with Staff prior to finalizing and sending the letter.

Pelham Division rates are 30% below the competitive market rates in the area under current market conditions. Northern testified that, given the potential rate increase associated with a transfer, the timing of any transfer should take into account the impact of moving to potentially higher rates in the competitive market.

B. Staff

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate, noting that actual 2003 summer COG costs and revenues would be reconciled and reviewed in the 2004 summer COG proceeding.

III. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that Northern's proposed COG rate will result in a just and reasonable rate pursuant to RSA 378:7. Accordingly, we accept and approve Northern's proposed 2003 Summer COG rate.

We find Northern's proposed plan on how best to resolve the issue of discontinuing regulated propane service to the Pelham plaza to be reasonable. Accordingly, we direct Northern to continue working with Staff to devise a plan concerning the Pelham Division to achieve a result that is in the best interests of Northern and its customers.

Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc. - Pelham Division's proposed Summer COG rate of \$0.7392 per therm for the period May 1, 2003 through October 31, 2003, is APPROVED, effective for service rendered on or after May 1, 2003; 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 that the cumulative adjustments shall not exceed twenty percent (20%) of the approved unit cost of gas; and it is

FURTHER ORDERED, that Northern will 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 40 - 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 shall file properly annotated tariff pages in compliance with this Order no later than fifteen (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-fifth day of April, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary