

DG 03-180

NORTHERN UTILITIES, INC - PELHAM DIVISION

2003/2004 Winter Cost of Gas

Order Approving Cost of Gas Rate

O R D E R N O. 24,229

October 30, 2003

APPEARANCES: Patricia French, 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 September 15, 2003, Northern Utilities, Inc. - Pelham Division (Northern) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) for the period November 1, 2003 through April 30, 2004 for Northern's propane service to 18 commercial customers located in Pelham, New Hampshire. The filing was accompanied by supporting attachments and the Direct Testimony of Joseph A. Ferro, Manager of Regulatory Policy.

On September 23, 2003, the Commission issued an Order of Notice setting a hearing for October 23, 2003 and set a deadline for intervention requests. No Motions to Intervene were filed and the duly noticed hearing on the merits was held at the Commission on October 23, 2003.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern's witness Joseph A. Ferro, Manager of Regulatory Policy explained Northern's Pelham Division consists of 18 customers at a retail mall complex who are supplied wholesale propane through one 19,000 gallon tank. Mr. Ferro then addressed 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

As indicated on the proposed revised tariff page 40, the proposed 2003/2004 Winter COG rate of \$0.9010 per therm was calculated by increasing the anticipated cost of gas of \$44,710 by the prior period under-collection of \$11,716 and related interest of \$380 and dividing the resulting anticipated costs of \$56,806 by projected therm sales of 63,046.

Northern's proposed 2003/2004 Winter COG rate of \$0.9010 per therm represents an increase of \$0.0379 per therm from the 2001/2002 average weighted Winter COG rate of \$0.8631 per therm. According to Northern's filing, assuming a monthly usage of 200 therms by a Low Annual/High Winter use Commercial Customer, the proposed COG rate of \$0.9010 per therm will

increase the monthly bill by \$12.62, or 5.23 percent, compared to last winter.

2. Factors Contributing to the Increased COG Rate

Mr. Ferro testified that the increase in the proposed COG rate as compared to last winter's rate can be primarily attributed to the prior period under-collection, the effect of which was partially offset by much lower forecasted propane prices for the upcoming winter period as compared to last winter's forecasted prices.

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 directed the Company to work towards developing a plan to allow for service to the Pelham propane system which would no longer be subject to Commission regulation. The directive came about as a result of Staff and Northern recognizing that natural gas service cannot be economically provided to Pelham and that the existing propane service was not intended to be subject to Commission regulation indefinitely.

Mr. Ferro testified Northern had prepared a draft letter to the owner of the Pelham Plaza, notifying him of Northern's plan to discontinue regulated service and offering to sell the propane equipment serving the Plaza to the owner. Northern provided a copy of the letter to Staff and Northern

plans to meet with Staff to discuss the letter in detail. In the event that the owner is not interested in purchasing the facilities, Northern may then seek bids from independent propane suppliers to purchase the facilities and provide service to the plaza.

Mr. Ferro reiterated concern that some of the customers and the owner may object to being switched from regulated to unregulated service, that the sale may be complex and require both time and resources, and that the unregulated price from a competitive supplier may be higher than what Northern currently charges. Northern proposed to work with Staff in going forward with the plan and to reassess the feasibility of the plan as Northern attempts to implement it.

B. Staff

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate, noting that the demand and supply planning is consistent with what has been filed in previous years and approved by the Commission. Staff also added that customers are protected by the COG reconciliation, through which actual gas costs and revenues are reconciled and reviewed in the subsequent COG period. Staff stated it would continue to work with Northern to resolve the issue of ownership of the Pelham system.

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 2003/2004 Winter 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 further develop and implement a plan and to report the status and results in its Summer COG filing.

Based upon the forgoing, it is hereby

ORDERED, Northern Utilities, Inc. - Pelham Division's proposed Winter COG rate of \$0.9010 per therm for the period November 1, 2003 through April 30, 2004, is APPROVED, effective for service rendered on or after November 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 thirtieth day of October, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary