

DG 03-179
NORTHERN UTILITIES, INC.
New Hampshire Division

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NORTHERN UTILITIES, INC.
Pelham Division

2003/04 Winter Cost of Gas

Order Nisi Approving Revised
Local Distribution Adjustment Charge

O R D E R N O. 24,267

January 30, 2004

On January 23, 2004, Northern Utilities, Inc. (Northern), filed with the New Hampshire Public Utilities Commission (Commission) a petition to increase the Local Distribution Adjustment Clause (LDAC) rate by \$0.0259 per therm, effective February 1, 2004.

The proposed change relates to Northern's last base rate case, Docket No. DG 01-182, and the recovery of approved rate case expenses of \$410,017 and a refund to customers of the difference between temporary and permanent rates totaling \$995,743. Prior to the 2003/04 winter period, Northern had over-recovered rate case expenses of \$90,141 and over-refunded \$35,272 of the difference between the temporary and permanent rates. In Northern's 2003/2004 winter Cost of Gas (COG) filing, it proposed to eliminate the over-recovery and over-refund by implementing a credit of \$0.0212 per therm and a surcharge of \$0.0083 per therm,

respectively. Commission Order No. 24,288 (October 30, 2003) approved the proposed rates, effective November 1, 2003 through April 30, 2004.

Northern recently discovered that the above two components of the LDAC rate had been incorrectly calculated, as the projected sales volumes used to determine the rate had not been converted from MMBtus to therms (1 MMBtu equals 10 therms). Consequently, the Rate Case Expense (RCE) credit of \$0.0212 per therm should have been \$0.0021 per therm and the Reconciliation of Permanent Changes in Delivery Rates (RPC) surcharge of \$0.0083 per therm should have been \$0.0008 per therm. As a result of having the incorrect rates in place for November 2003 through January 2004, Northern projects an over-refund, or under-collection, balance of RCE costs of \$356,963 and an over-collection of RPC revenues of \$111,049, for a net under-collection of \$245,644. Moreover, if the LDAC rate is not changed this winter, the net under-collection is projected to grow to \$496,809.

To avoid this under-collection, Northern requests to discontinue the RPC surcharge of \$0.0083 and apply the \$111,049 over-collection against the RCE under-collection of \$356,693. The remaining RCE under-collection of \$245,644 would then be recovered over the remaining three months of the winter period by implementing an RCE surcharge of \$0.0130 per therm in place of

the current RCE credit of \$0.0212 per therm. The expiration of the RPC surcharge and the revision of the RCE credit to a surcharge results in a change in the residential classes' LDAC rate from \$0.0188 per therm to \$0.0447 per therm, and in the commercial classes' LDAC rate from \$0.0214 per therm to \$0.0473 per therm.

A typical residential heating customer will experience a three-month bill increase of \$12.59 (\$4.20 a month), or approximately a 2 percent increase compared to the three month cost without the proposed revision. The \$12.59 represents a 1 percent increase in a typical residential heating customer's total winter gas bill (November through April).

Northern asserts that the proposed tariff change is in the best interest of its customers. Without the revision, the resulting under-collection of approximately \$500,000 would have to be recovered from customers in a subsequent period. To recover the projected under-collection during the 2004 summer period would have a greater rate impact as projected summer sales volumes of approximately 10 million therms are nearly half of the more than 19 million therms projected for February through April. Such timing would also shift the recovery responsibility to customers who either did not benefit from the under-collection during this winter period, or at least did not receive this under-collection benefit in the same proportion as they would be

charged in another season. Further, this LDAC rate revision will be coincident with a monthly COG change that Northern will be implementing effective February 1, 2004, pursuant to Commission Order No. 24,228. Thus, the proposed LDAC rate change will not result in an additional rate change to Northern's New Hampshire natural gas customers, as they will be experiencing a rate change February 1, 2004 irrespective of this revision. While we are concerned with the rate impact of the combined monthly COG rate increase and the proposed February 1, 2004 LDAC rate increase, the LDAC rate component has a relatively small impact.

We agree with Northern that implementing the proposed LDAC rate increase effective February 1, 2004 should prevent the need to implement an even larger increase at a later date, as continuing to charge the incorrect rate will only serve to add to the projected under-collection. The proposed rate change will enable Northern to recover its approved rate case expenses in a timely fashion and reduce the risk of inter-generational subsidies, as those customers that have benefited from the under-collection are more likely to remain on the system over the short-term and, therefore, make up the existing shortfall. Accordingly, we approve the proposed increase in the LDAC rates, effective February 1, 2004, subject to adjustment if necessary as discussed below.

Implementing the proposed rate change on a nisi basis will serve to reduce the projected under-collection while providing notice to the public and inviting participation before the proposed rate increase becomes final for the remainder of the winter period. Northern will submit a reconciliation of the rate case expenses and revenues as part of its 2004 summer COG filing and any related over-/under-collection will be addressed in that proceeding.

Based upon the foregoing, it is hereby

ORDERED NISI, that Northern's petition to increase the 2003/2004 winter LDAC rate by \$0.0259 per therm, for a Residential LDAC rate of \$0.0447 per therm and a Commercial LDAC rate if \$0.0473 per therm effective February 1, 2004 through April 30, 2004, is hereby APPROVED subject to adjustment if necessary; and it is

FURTHER ORDERED, that Northern's Reconciliation of Permanent Changes in Delivery Rates Surcharge of \$0.0083 per therm is to be discontinued effective February 1, 2004 and any remaining over-collection to be applied against the unrecovered rate case expenses; and it is

FURTHER ORDERED, that Northern's Rate Case Expense Credit of \$0.0212 per therm is to be discontinued and a Rate Case Expense Surcharge of \$0.0130 per therm implemented, effective

February 1, 2004 through April 30, 2004 is hereby APPROVED subject to adjustment if necessary; 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 February 5, 2004 and to be documented by affidavit filed with this office on or before February 16, 2004; 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 February 23, 2004; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than February 26, 2004; and it is

FURTHER ORDERED, that rates approved herein shall become final February 27, 2004, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff, Fifth Revised Page No. 56, superseding Fourth

Revised Page No. 56, with the Commission on or before February 16, 2004, in accordance with N.H. Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this thirtieth day of January, 2004.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Michelle A. Caraway
Assistant Executive Director