

DG 04-036

NORTHERN UTILITIES, INC.-PELHAM DIVISION

2004 Summer Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 24,314

April 30, 2004

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 March 12, 2004, 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) filing for the period May 1, 2004, through October 31, 2004. 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 22, 2004 and published in the *Union Leader* on March 26, 2004. The Commission received an affidavit of publication on April 9, 2004.

On April 16, 2004, Northern filed a revised 2004 Summer COG rate with supporting attachments. A duly noticed hearing on the merits was held at the Commission on April 17, 2004 before Edward N. Damon, Hearings Examiner. There were no intervenors in this docket. Mr. Damon submitted a report on the hearing to the Commission on April 27, 2004.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

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

The proposed 2004 Summer COG rate of \$1.0053 per therm was calculated by increasing the anticipated cost of gas of \$17,900 by the prior period under-collection of \$2,350 and related interest of \$70 and dividing the resulting anticipated costs of \$20,250 by projected therm sales of 20,144. Northern's proposed 2004 Summer COG rate of \$1.0053 per therm represents an increase of \$0.2016 per therm from the 2003 average weighted Summer COG rate of \$0.8037 per therm. Under the proposed rate, a typical Pelham customer using 273 therms will pay a total gas bill of \$479 for the summer of 2004 compared to a total gas bill of \$420 for the 2003 summer period, an increase of \$59 or 14%.

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 net difference between the 2003 under-collection and the 2002 over-collection. The difference accounts for \$0.15 of the \$0.20 per therm increase in the COG rate, while increased commodity prices accounted for the remaining \$0.05.

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 toward 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 the recognition by Staff and Northern 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 that Northern, after Staff's review, mailed a letter on November 7, 2003 to the owner of the Pelham Plaza Corporation (PPC) notifying him of Northern's plan to discontinue regulated service and offering to sell the propane equipment serving the Plaza to the owner. In a letter back to Northern dated December 2, 2003, the PPC expressed its interest and requested certain information on the system. On February 27, 2004, Northern sent a second letter to PPC providing many reports and other documents in response to the PPC's request. Northern copied the Staff on all of its letters to the PPC, including all documents enclosed in the February 27, 2004 letter. Northern sent a follow up letter on April 16, 2004, to determine if the PPC was still interested in purchasing the propane system, but had not received a response as of the date of the hearing.

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 stated that the Commission Audit Staff issued a Final Audit Report, dated April 15, 2004, on its review of the Northern 2003 Summer period reconciliation and found the reconciliation to have been accurately reported. Staff noted 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. REPORT OF THE HEARINGS EXAMINER

The Hearings Examiner reviewed the filing and supporting testimony presented at the April 20, 2004 hearing and recommended that the Commission approve Northern's proposed COG rate.

IV. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that Northern's revised Summer COG will result in just and reasonable rates pursuant to RSA 378:7. Accordingly, we accept and approve Northern's proposed 2004 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 further develop and implement a plan and to report the status and results in its next COG filing.

Based upon the foregoing, it is hereby

ORDERED, Northern Utilities, Inc. - Pelham Division's proposed Summer COG rate of \$1.0053 per therm for the period May 1, 2004 through October 31, 2004, is **APPROVED**, effective for service rendered on or after May 1, 2004; 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 April, 2004.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary