

DG 06-128

NORTHERN UTILITIES, INC. – PELHAM DIVISION

2006/2007 Winter Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 24,685

October 27, 2006

APPEARANCES: Seth L. Shortlidge, Esq. of Pierce Atwood LLP, and Patricia M. French, Esq., on behalf of Northern Utilities, Inc.; and F. Anne Ross, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 15, 2006, Northern Utilities, Inc. – Pelham Division (Northern) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) rate adjustment for the period November 1, 2006, through April 30, 2007, for Northern’s propane service to 17 commercial customers located in Pelham. The filing was accompanied by supporting attachments and the direct testimony of Joseph A. Ferro, manager of regulatory policy.

On September 22, 2006, the Commission issued an Order of Notice setting a deadline for intervention requests and scheduling a hearing for October 18, 2006. No motions to intervene were filed. The duly noticed hearing on the merits was held on October 18, 2006.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Mr. Ferro explained that Northern has been serving 17 customers located exclusively in a Pelham shopping plaza (Pelham Plaza) on regulated propane since 1989 and addressed the

following issues: 1) calculation of the COG rate and the impact on customer bills; and(2) the status of the sale of its Pelham facilities for the purpose of ceasing the provision of service.

1. Calculation of the COG Rate and Rate Impact

As indicated on the proposed revised tariff page 40, the proposed 2006-2007 winter COG rate of \$1.5982 per therm was calculated by increasing the anticipated cost of gas of \$76,762 by the prior period under-collection of \$8,366 and related interest of \$529 and dividing the resulting anticipated costs of \$85,658 by projected therm sales of 53,597. The increase in the proposed COG rate as compared to last winter's rate can be primarily attributed to a higher prior period under collection.

Northern's proposed 2006-2007 winter COG rate of \$1.5982 per therm represents an increase of \$0.1236 per therm from the 2005/2006 average weighted winter COG rate of \$1.4746 per therm. According to Northern, based on typical winter usage by a low annual/high winter use commercial customer, the proposed increase in the COG rate of \$0.1236 per therm, offset by a decrease in the Local Distribution Adjustment Charge of \$0.0069 per therm, will increase the total winter gas bill by \$190, or 6 percent, compared to last winter.

2. Plans to Sell the Pelham System

In *Northern Utilities, Inc.*, 87 NH PUC 269, 271 (2002), approving the Northern – Pelham Division 2002 summer COG, the Commission directed Northern to develop and file a plan to deregulate Pelham Plaza propane service and minimize customer impacts. The directive came about as a result of the recognition by Staff and Northern that natural gas service cannot be economically provided to the Pelham Plaza and that the existing propane service was not intended to be subject to Commission regulation indefinitely.

Mr. Ferro testified that Northern had notified the owner of the Pelham Plaza of plans to discontinue regulated service and Northern had offered to sell the propane equipment serving the Pelham Plaza to the owner. Northern responded to the owner's questions regarding the cost and operation of the system, but the owner decided against the purchase of the system.

In Commission Order No. 24,391 (October 29, 2004), approving Northern-Pelham Division's 2004-2005 winter COG, the Commission directed Northern to notify all customers and interested parties of a meeting to discuss the future of the Pelham Division. Northern notified all its Pelham customers and identified eight propane dealers. Subsequently, a meeting was held on December 17, 2004, in Pelham. Northern mailed a Request for Bid (RFB) to purchase the Northern's Pelham Plaza facilities to the two retail propane suppliers that attended the meeting. EnergyUSA, a retail propane supplier that did not attend the meeting, received the RFB in 2005.

On September 20, 2006, Northern and EnergyUSA entered into a purchase and sale agreement whereby EnergyUSA agreed to purchase substantially all the propane assets of Northern located at the Pelham Plaza. On October 6, 2006, Northern filed with the Commission a petition for the sale of its Pelham propane assets and to discontinue service to the Pelham Plaza, which became the subject of Docket No. DG 06-143. On October 10, 2006, the Commission issued an Order of Notice in Docket No. DG 06-143 and Northern sent a copy to each of its Pelham Plaza customers by Federal Express.

Mr. Ferro explained that a brief transition period would be required for EnergyUSA to contact and convert the Pelham Plaza customers when, and if, Northern's sale petition is approved. He recommended that if Northern's sale petition is approved, the winter COG rate remain in effect until such time as the customer conversion is completed, at which time the

Pelham Plaza customers would begin taking service from EnergyUSA and would be charged a rate that is expected to be slightly less than Northern's proposed COG rate.

B. Staff

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate.

III. COMMISSION ANALYSIS

After 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 2006-2007 winter COG rate.

We note that the winter COG rate is based on a six-month average COG and our approval of the sale petition in a companion order issued this day in Docket No. DG 06-143 is likely to result in a Winter COG period of no more than one or two months. The COG mechanism allows for adjusting the rate on a monthly basis within twenty percent of the approved rate and we encourage Northern to use its discretion in adjusting the rate within the approved bandwidth to achieve as close a match between the gas revenues and costs as is reasonably possible for the abbreviated winter period.

Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc. - Pelham Division's proposed Winter COG rate of \$1.5982 per therm for the period November 1, 2006 until such time as Northern discontinues service to Pelham or through April 30, 2007, whichever comes first, is **APPROVED**, effective for service rendered on or after November 1, 2006; 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 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, 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 any over- or under-collection shall accrue interest at the Monthly Prime Lending Rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates; 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. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of October, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary