

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 08-009

**ENERGYNORTH NATURAL GAS, INC.
D/B/A NATIONAL GRID NH**

Petition for Permanent Rate Increase and for Temporary Rates

Order Suspending Tariff and Scheduling Prehearing Conference

ORDER NO. 24,830

March 14, 2008

On February 25, 2008, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (“National Grid NH” or the “Company”) made a delivery rate filing requesting permission to (1) implement new permanent delivery rates for natural gas service, (2) implement temporary delivery rates, pursuant to RSA 378:27 and its petition, effective with service rendered on and after August 24, 2008, (3) increase the customer charge and decrease volumetric rates, eliminate 280 day sales service and interruptible sales service, and implement a new service and main extension policy, (4) replace current tariff pages with the proposed tariff pages included in the filing, and (5) establish a pension and post retirement benefits other than pensions (OPEB) reconciliation mechanism. The Company also seeks a waiver of certain provisions of N.H. Code Admin. Rules Puc 1604.01(a)(25) requiring filing of information required by 1604.01(a) on the parent of any utility applying for rate relief.

National Grid NH proposes permanent delivery rates that are designed to produce an increase of \$9.9 million in annual revenues, representing a 5.6 percent increase in total revenues compared to present delivery rates. National Grid NH is also proposing a re-design of the delivery rates, which would increase the customer charge and decrease the volumetric charge.

The Company's service and main extension policy proposal would evaluate each extension request using an internal rate of return model, the results of which would determine the required contribution, if any, to eliminate subsidies and ensure the return is comparable to other investment opportunities available to the Company. The proposal would eliminate the current practice whereby all customers are entitled up to an 80-foot service extension at no charge unless abnormal costs are involved.

National Grid NH estimates that, if its request for permanent rates is granted, a typical residential heating customer will experience an increase in annual gas costs of 6.4 percent and residential non-heating customers will experience an average increase of 8.5 percent. The commercial and industrial high winter use customers will experience total bill impacts ranging from an increase of 2.8 percent to 4.3 percent and the commercial and industrial low winter use customers will experience total bill impacts ranging from an increase of 1.0 percent to 2.8 percent.

Pursuant to its petition, National Grid NH requests that the Commission grant temporary delivery rates under RSA 378:27 designed to produce a temporary increase of \$6.6 million in annual revenues, representing a 3.75 percent increase in total revenues produced under present rates. The Company requests that the temporary rates be effective with service rendered on and after August 24, 2008. The Company requests that the Commission implement the temporary rate increase in accordance with the rate design proposal set forth in the Company's permanent rate filing. In support of its petition, National Grid NH asserts that it earned a 3.94 percent rate of return for the 12-month test year period ended June 30, 2007, compared to its last allowed rate of return of 9.83 percent and the 9.26 percent rate of return proposed in its Petition.

National Grid NH is proposing to establish an annual pension/OPEB reconciliation adjustment mechanism to recover the annual costs associated with its pension and OPEB obligations. Under the Company's proposal, the test year amount would be included in base rates, subject to a reconciling mechanism included in the local distribution adjustment charge. National Grid NH asserts that pension and OPEB expenses are highly volatile and are outside the control of the Company. According to the Company, the proposed mechanism will allow recovery of those costs without locking in an inappropriately high level of pension and OPEB expense in base rates.

National Grid NH moves for a waiver of Puc 1604.01(a)(25) that requires the filing of certain information regarding the parent of any utility applying for rate relief. The Company asserts that the filing requirements related to information regarding the parent company is not relevant to the Commission's review of the request for rate relief and therefore would impose an unnecessary burden on the Company to produce. In addition, National Grid NH states that providing such information would increase the size of an already voluminous filing. Staff, the Company and intervenors should be prepared to address the Company's motion at the prehearing conference.

RSA 378:6 provides that pending any investigation of a rate schedule which represents a general rate increase, the Commission may suspend the taking effect of such tariff filing for up to 12 months in order to investigate whether the proposed rates are just, reasonable and otherwise consistent with applicable law. We determine that such suspension and investigation are necessary under RSA 378:6.

The filing raises, *inter alia*, issues related to whether the proposed permanent rates are just, reasonable and lawful pursuant to RSA 378:7; whether the proposed rates yield a reasonable return on the cost of National Grid NH's property that is prudent as well as used and useful in the public service pursuant to RSA 378:27 and 28; whether the pension and OPEB mechanism proposed by National Grid NH is lawful and reflects appropriate policies for the Commission to follow; whether the rate re-design and service and main extension policy proposed by National Grid NH is fair and equitable; whether 280 Day Sales Service and Interruptible Sales service should be eliminated; and whether temporary rates on the terms proposed by National Grid NH are appropriate, and if so, how any recoupment or refund, if appropriate, should be implemented.

Based upon the foregoing, it is hereby

ORDERED, that the proposed tariff pages for natural gas delivery service filed by National Grid NH, be and they hereby are suspended, pursuant to RSA 378:6, I(a) pending investigation and further order of the Commission; and it is

FURTHER ORDERED, that a prehearing conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on April 9, 2008 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition for temporary rates and any of the noticed issues; and it is

FURTHER ORDERED, that, immediately following the prehearing conference, the Staff of the Commission and any intervenors hold a technical session to review the filing and allow National Grid NH to provide any amendments or updates to its filing and establish a proposed procedural schedule for this proceeding; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, National Grid NH shall notify all persons desiring to be heard at this prehearing conference by publishing a copy of this Order of Notice no later than March 20, 2008 in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before April 9, 2008; and it is

FURTHER ORDERED, that National Grid NH shall provide a copy of this Order of Notice to all its 280 day sales service and interruptible sales service customers by certified mail, to be mailed no later than March 20, 2008; and it is

FURTHER ORDERED, that pursuant to N.H. Admin Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a petition to intervene with copies sent to the Company and the Office of the Consumer Advocate on or before April 4, 2008, such petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin Rule Puc 203.17 and RSA 541-A:32, I(b); and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make such objection on or before April 9, 2008.

By order of the Public Utilities Commission of New Hampshire this fourteenth day of
March, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.