

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 08-045

NEW HAMPSHIRE GAS CORPORATION

2008 Summer Season Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 24,850

April 23, 2008

APPEARANCES: Meabh Purcell, Esq. of LeBoeuf, Lamb, Greene & MacRae LLP, on behalf of New Hampshire Gas Corporation and Edward N. Damon, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 20, 2008, New Hampshire Gas Corporation (NHGC), a public utility that distributes propane air gas in Keene, filed its proposed cost of gas (COG) rate for the summer season, May 1, 2008 through October 31, 2008. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Jennifer M. Boucher, manager of regulatory economics for Berkshire Gas Company (Berkshire). Berkshire is an affiliate of NHGC and provides the utility with management services. An order of notice was issued on March 21, 2008, scheduling a hearing for April 16, 2008. The hearing was held as scheduled, at which time NHGC submitted a revised COG filing. There were no intervenors in this docket.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

NHGC witnesses Jennifer M. Boucher and David Grande, general manager for Berkshire Gas Company and NHGC, addressed: (1) calculation of the COG rate and customer impact, (2) reasons for the increase, (3) the propane purchasing stabilization plan, (4) rate changes on a bills-

rendered basis, and (5) a rules waiver request regarding the publication date of the order of notice.

1. Calculation and Impact of the COG Rate

NHGC's revised filing proposes a COG rate, applicable to both residential and commercial and industrial customers, of \$1.9720 per therm. This rate is calculated by increasing the anticipated cost of gas of \$646,682 by a prior period under-collection of \$22,149, offset by interest earnings of \$799, and then dividing the resulting anticipated costs of \$668,031 by projected sales of 338,752 therms. NHGC's proposed 2008 summer season COG rate of \$1.9720 per therm represents an increase of \$0.4238 per therm from the 2007 weighted average summer season COG rate of \$1.5482 per therm.

The proposed 2008 summer season COG rate was calculated by using the most recently projected per unit costs of propane based on futures prices posted on the New York Mercantile Exchange multiplied by anticipated demand. The calculation used futures prices as of April 11, 2008, for the months of May 2008 through October 2008, plus brokers' fees, pipeline transportation costs and trucking charges. Projected summer season sales of 338,752 therms are based on weather normalized usage and the addition of a large commercial customer.

The combined impact of the proposed COG rate and deferred revenue surcharge is a \$71 increase in the average residential heating and hot water customer's summer season gas costs, which represents a 15 percent increase from last summer's costs (\$533 compared to \$462).

2. Reasons for the Increase in the COG Rate

According to NHGC, the increase in the proposed COG rate, as compared to last summer's rate, can primarily be attributed to increases in the projected spot market price of propane.

3. Propane Purchasing Stabilization Plan

In Order No. 24,617 (October 31, 2006), the Commission approved NHGC's propane purchase stabilization plan as a pilot program. The stabilization plan provides for NHGC's pre-purchase of up to 65 percent of its winter supplies over a six-month period, thereby reducing rate volatility, and for the diversification of NHGC's receipt locations at two propane terminals. In Order No. 24,745 (April 27, 2007), the Commission approved NHGC's continued hedging under the plan and directed NHGC to report at each COG proceeding the status of its hedging activities and provide an analysis of the results.

NHGC reported that it was able to hedge supplies last year by paying a \$0.05 per gallon premium, approximately 3 percent of the cost of the pre-purchased gallons. Along with providing price stability, as an ancillary benefit customers saved over \$150,000 last year. NHGC issued a request for bids to four suppliers for the upcoming year and received one response. The bid compared favorably with last year's and NHGC has pre-purchased supplies for the upcoming winter. Next year, in an attempt to solicit more bids, NHGC plans to issue its request for bids to additional suppliers.

4. Rate Changes on a Bills-Rendered Basis

In her direct testimony, Ms. Boucher requested a waiver of N.H. Code Admin. Rules Puc 1203.05, which requires rate changes to be implemented on a service-rendered basis, in order to enable NHGC to bill the new rates on a bills-rendered basis. Ms. Boucher testified that it would be less confusing to NHGC customers who are accustomed to being billed on a bills-rendered basis and that the current NHGC billing system would have to be replaced at a substantial cost to allow for service-rendered billing.

5. Waiver Request of Order of Notice Publication Date

The order of notice in the instant proceeding required NHGC to publish it no later than March 26, 2008 and file an affidavit no later than April 16, 2008. As required by the order of notice, NHGC publishes in a newspaper with general circulation in Keene. NHGC has a long-standing relationship with the newspaper, which NHGC characterized as having an excellent record of publishing orders in timely fashion. In this instance, the newspaper failed to publish the order of notice until April 11, 2008. NHGC noted that historically there have not been any requests for intervention in its COG proceedings and requested that the Commission waive the March 26 publication date and substitute April 11, 2008.

B. Staff

Staff recommended approval of the NHGC revised proposed COG rate. Staff noted that the Commission audit Staff reviewed the 2007 summer season reconciliation and found no exceptions. According to Staff, the sales forecast and supply planning appear reasonable and reflect recent growth on the system. Actual 2008 summer gas costs and revenues will be reconciled prior to the 2008 summer season COG and any concerns that may arise will be addressed in that proceeding.

Staff recommended that NHGC continue to implement the propane purchasing stabilization Plan. Staff explained that the Plan reduces speculation by requiring that set amounts be hedged over an extended period of time, so that even during periods of rising prices NHGC will have secured a significant portion of its supply prior to setting the winter rate.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, for the reasons stated by Staff in its recommendation, we approve the proposed 2008 summer season COG rate as a just and reasonable rate pursuant to RSA 378:7.

We waive the March 26, 2008 order of notice publication deadline and approve a publication date of April 11, 2008, which allowed five days before the hearing in which an interested party could have filed for intervention or inquired of the Commission regarding such a filing. The late publication appears to have resulted from an unintentional oversight and to our knowledge there have been no inquiries about, or any interest expressed in, intervention. In these circumstances, waiver serves the public interest and will not disrupt the orderly and efficient resolution of this proceeding. *See* N.H. Code Admin. Rules Puc 201.05 (establishing requirements for rules waivers).

N.H. Code Admin. Rules Puc 1203.05 provides in general that rate changes must be implemented on a service-rendered basis. Subsection (c) of the rule specifically contemplates waivers of this requirement in appropriate circumstances, and requires utilities seeking to implement rate changes on a bills-rendered basis to address such issues as potential customer confusion, implementation costs, the matching of revenue with expenses and the objective of adequate customer notice. In that regard, NHGC asserted, as it has in previous COG proceedings, that its customers would be less confused by being billed on a bills-rendered basis and that NHGC's current billing system would have to be replaced at a substantial cost to allow for service-rendered billing. We find NHGC's contentions to be persuasive and, accordingly, we grant NHGC's request for a waiver of the requirement that rate changes be implemented on a service-rendered basis pursuant to Puc 201.05.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed 2008 summer season COG rate of \$1.9720 per therm for the period of May 1, 2008 through October 31, 2008 is APPROVED, effective for bills rendered on or after May 1, 2008; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the approved COG rate upward or downward monthly based on NHGC's calculation of the projected over- or under-collection for the period, but the cumulative adjustments shall not vary more than 20 percent from the approved unit cost of gas; and it is

FURTHER ORDERED, that NHGC shall 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. NHGC shall include a revised tariff page 24 - Calculation of Cost of Gas and revised tariff pages to be filed under separate cover letter if NHGC elects to adjust the COG rate; and it is

FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported in *The Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

FURTHER ORDERED, that NHGC shall file properly annotated tariff pages in compliance with this Order no later than 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-third day of
April, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary