

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 10-048**

**NEW HAMPSHIRE GAS CORPORATION**

**2010 Summer Season Cost of Gas**

**Order Approving Cost of Gas Rate**

**ORDER NO. 25,098**

**April 29, 2010**

**APPEARANCES:** Meabh Purcell, Esq., of Dewey & LeBoeuf LLP, on behalf of New Hampshire Gas Corporation and Matthew Fossum, Esq., for the Staff of the Public Utilities Commission.

**I. PROCEDURAL HISTORY**

On March 15, 2010, New Hampshire Gas Corporation (NHGC or Company), a public utility that distributes propane air gas in Keene, filed with the Commission its proposed cost of gas (COG) rate increase to \$1.6796 per therm for the summer season, May 1, 2010 through October 31, 2010. 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 NHGC with various management services. The Commission issued an order of notice on March 17, 2010 scheduling a hearing for April 14, 2010, which was held as scheduled. There were no intervenors.

**II. POSITIONS OF THE PARTIES AND STAFF**

**A. NHGC**

NHGC witness Jennifer M. Boucher addressed: (1) calculation of the COG rate and customer bill impacts, (2) reasons for the increase, (3) the propane purchasing stabilization plan, and (4) rate changes on a bills-rendered basis.

## **1. Calculation and Impact of the COG Rate**

NHGC's filing, as testified to by Ms. Boucher, proposes a COG rate, applicable to residential as well as commercial and industrial customers, of \$1.6796 per therm. This rate is calculated by dividing the anticipated costs of \$489,191 by projected firm sales of 291,257 therms. NHGC's proposed 2010 summer season COG rate is an increase of \$0.4836 per therm from the 2009 weighted average summer season COG rate of \$1.1960 per therm.

The proposed 2010 summer season COG rate was calculated by using the most recently projected per unit costs of propane based on the Mt. Belvieu settlement prices for the propane futures market multiplied by anticipated demand, plus brokers' fees, Propane Education and Research Council (PERC) charges, pipeline transportation costs and trucking charges.

The impact of the proposed COG rate is a \$142 increase in the average residential heating and hot water customer's summer season gas costs, which represents a 39.9 percent increase from last summer's costs. On a total bill basis, including customer, delivery and other charges, an average residential heating and hot water customer using 297 therms will see an increase of \$211, or 31 percent, over last summer.

## **2. Reasons for the Change in the COG Rate**

According to NHGC, the increase in the proposed COG rate, as compared to last summer's rate, is primarily due to significantly higher projected spot market prices for propane. In addition, NHGC stated that trucking fees have increased over last year. Of particular note, NHGC pointed out that there have been significant increases in the pipeline fees since last year.

In addition to these changes, NHGC also notes that in its recent rate case, Docket No. DG 09-038, it was authorized to implement a rate surcharge of \$0.059 per therm for one year to

recover its rate case expenses and funds relating to its temporary rate reconciliation. *See New Hampshire Gas Corp.*, Order No. 25,039 (Oct. 20, 2009). At the time of the order, NHGC's final rate case related expenses were not known because it had not received final bills for outside consulting and legal expenses. NHGC has now finalized its temporary rate reconciliation and has received its final rate case expense related bills and has determined that at the current surcharge rate it will not collect the total of its costs. It has, therefore, increased the surcharge in conjunction with the summer COG to timely complete its cost collection. Documentation of those costs had not yet been submitted for review by Staff, but the Company stated that it would be filing that documentation prior to October 15, 2010, per the terms of the settlement agreement on permanent rates in Docket DG 09-038. Transcript of April 14, 2010 Hearing (Tr.) at 10.

### **3. Propane Purchasing Stabilization Plan**

In *New Hampshire Gas Corporation*, Order No. 24,745 (April 27, 2007), the Commission directed NHGC to report the status of its hedging activities under its propane purchasing stabilization plan at each COG proceeding, and to provide an analysis of the results. In fulfillment of that requirement, NHGC has completed a recent evaluation of its propane purchase stabilization plan. According to its evaluation, although it paid a premium for its pre-purchases, that premium was offset by significant differences between the price of the pre-purchased volumes and the prices in the spot market. Further, NHGC stated that the pre-purchases allow the Company to fulfill the purpose of the plan by mitigating rate volatility and that they facilitate the Company's offering of a fixed-price option. NHGC, therefore, recommended that the plan be continued. With regard to its supply for the 2010-2011 period, NHGC issued a request for proposals (RFP) on February 26, 2010.

#### **4. Rate Changes on a Bills-Rendered Basis**

NHGC 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. According to NHGC, it would be less confusing to its customers, who are accustomed to being billed on a bills-rendered basis, and the current NHGC billing system would have to be replaced at a substantial cost to allow for service-rendered billing.

#### **B. Staff**

Staff questioned the Company about its sales forecast for the 2010 summer period, which showed a slight increase over the reported sales for the same period in 2009. Tr. at 8. The Company stated that any load growth was minimal and that the difference was most likely the result of weather normalizing its sales. Tr. at 8. The Company also stated that it expects limited sales growth opportunities this year. Tr. at 8. Related to the Company's unaccounted-for gas, Staff questioned the Company about whether it had installed, as planned, the turbine meter at the gas production plant to better measure gas volumes delivered into its distribution system. Tr. at 8. The Company responded that the meter installation had been delayed by physical constraints at the plant, but that the meter would be installed this summer. Tr. at 8.

Staff also sought confirmation that the increase in delivery rates, as well as the related rate case expenses as a result of its rate case in Docket No. DG 09-038, was reflected in this COG filing. Tr. at 9. The Company stated that the calculation on its Supplemental Schedule B shows an increase of about seven percent in its delivery rates as a result of the rate case. Tr. at 9. Schedule B shows a rate case expense surcharge total of \$14.36 for the 2010 summer period, a three and one-half percent increase over last summer's total costs. With regard to the

Company's propane purchasing stabilization plan, Staff questioned the Company about its RFP for supplies for the 2010-2011 winter period. Tr. at 10-11. The Company stated that it issued the RFP to five suppliers and received three responses, from which it had selected a supplier. Tr. at 11. The Company further stated that it intended to hedge approximately sixty-five percent of its projected winter period propane supply requirements. Tr. at 11.

In its closing, Staff stated that it supported the rates as filed by the Company. Tr. at 15. Staff also stated that it supported the change to the rate case expense surcharge rate, even though the final documentation and support for the expenses had not yet been submitted. Tr. at 15. Staff stated that it expected the documentation to be submitted and reviewed prior to a final reconciliation and that, should issues arise, they could be dealt with at or before the winter period COG filing. Tr. at 15-16.

### **III. COMMISSION ANALYSIS**

Based on our review of the record in this docket, we approve the proposed 2010 summer season COG rate as a just and reasonable rate pursuant to RSA 378:7. The rates appear to have been calculated in a manner consistent with past practices which offers assurances that they are proper. We note also that, pursuant to *New Hampshire Gas Corp.*, Order No. 24,962 (April 30, 2009), the approved rate may be adjusted downward so far as is needed, and upward by no more than twenty-five percent, without further Commission action. Thus, any downward trend in prices may be met by the Company with further reductions in price and, to a limited extent, upward trends may be followed.

Despite our approval of the current rate case expense surcharge, which was implemented beginning with November 2009 customer bills, we are concerned that the Company has proposed

an adjustment to its rates to reflect a change in its temporary rate reconciliation and rate case expense recovery without yet submitting the supporting information for review by Commission Staff. These amounts are relatively small and subject to final reconciliation, and therefore there is a mechanism for ensuring that customers are not overcharged. Consequently, we approve the Company's proposed change. However, given that the testimony in this matter indicates that the Company has received final billing related to its rate case expenses, we expect that the Company will very soon file documentation supporting its rate case expense recoveries for review by Staff so that any issues with its recoveries may be timely addressed.

Regarding the request for a waiver of N.H. Code Admin. Rules Puc 1203.05, we note that the rule provides in general that, absent a waiver, rate changes must be implemented on a service-rendered basis. To obtain a waiver, the Company is required to address, to the extent possible, such issues as potential customer confusion, implementation costs, the matching of revenue with expenses and the objective of adequate customer notice. N.H. Code Admin. Rules Puc 1203.05(c). 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 its 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 2010 summer season COG rate of \$1.6796 per therm for the period of May 1, 2010 through October 31, 2010 is APPROVED, effective for bills rendered on or after May 1, 2010; and it is

**FURTHER ORDERED**, that NHGC may, without further Commission action, adjust the COG rate based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate, to no more than \$2.0995, and with unlimited rate reductions; and it is

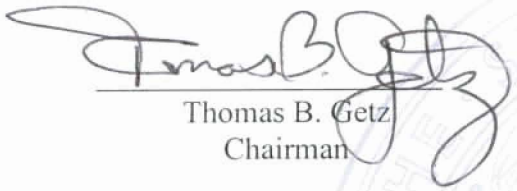
**FURTHER ORDERED**, that NHGC shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 24 - Calculation of Cost of Gas and revised tariff pages if NHGC elects to adjust the COG rate; and it is

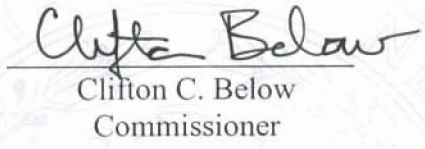
**FURTHER ORDERED**, that the over- or under-collection shall accrue interest at the prime rate as reported in *The Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

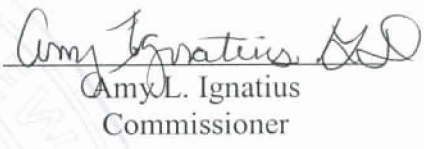
**FURTHER ORDERED**, that NHGC shall file, within 30 days of the date of this order, documentation supporting its temporary rates reconciliation and rate case expenses in Docket No. DG 09-038, and it is

**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.

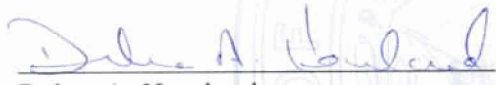
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of April, 2010.

  
Thomas B. Getz  
Chairman

  
Clifton C. Below  
Commissioner

  
Amy L. Ignatius  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director

