STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 10-230

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH

Winter 2010-2011 Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

O R D E R N O. 25,161

October 28, 2010

APPEARANCES: Steven V. Camerino, Esq., of McLane, Graf, Raulerson & Middleton PA, for EnergyNorth Natural Gas, Inc. d/b/a National Grid NH; Kenneth Traum, of the Office of the Consumer Advocate, on behalf of residential ratepayers; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 1, 2010, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid or Company), a public utility distributing natural gas in 28 cities and towns in southern and central New Hampshire and the City of Berlin, filed its cost of gas (COG) and other rate adjustments for the 2010-2011 winter period. National Grid's filing included the direct testimony and supporting attachments of Ann E. Leary, manager of pricing, Theodore E. Poe, Jr., lead analyst, and Michele V. Leone, manager of the New England site investigation and remediation program for National Grid. Also on September 1, National Grid filed a motion for confidential treatment of certain information included in its COG filing.

On September 8, 2010, the Commission issued an order of notice scheduling a hearing for October 12, 2010. On September 21, 2010, the Office of Consumer Advocate (OCA) notified the Commission, consistent with RSA 363:28, of its participation in the docket on behalf of residential ratepayers. There are no other intervenors in the docket.

On October 6, 2010, National Grid provided an affidavit of publication stating that the order of notice had been published on September 13, 2010. A hearing on the matter was held as scheduled on October 12, 2010. On October 15, 2010 National Grid filed a motion for confidential treatment of some information included in its responses to data requests by the staff of the Commission.

II. POSITIONS OF THE PARTIES AND STAFF

A. National Grid

As set out more fully below, National Grid witnesses Leary and Poe addressed: (1) the calculation of the proposed firm sales COG rate and fixed-price option (FPO) rate and the resulting customer bill impacts; (2) the reasons for the change in COG rates; (3) supply reliability and price stability through the Company's hedging; (4) transportation rates, allocators and other charges; and (5) the local distribution adjustment clause (LDAC). National Grid witness Leone testified about the status of site investigation and remediation efforts at various manufactured gas plant (MGP) and related sites in New Hampshire.

1. Calculation of the Proposed Firm Sales Rates and Bill Impacts

Pursuant to the COG clause, National Grid may, subject to the Commission's jurisdiction, semi-annually adjust its firm gas sales rates to recover the costs of gas supplies, capacity and certain related expenses, net of applicable credits, as specified in its tariff. For the winter 2010-2011 period, the proposed average COG rate, which is the COG rate payable by residential customers, was calculated by adding the anticipated direct costs of $63,627,308, plus $1,741,780 of adjustments related to prior periods, to the anticipated indirect costs of $2,914,492 and then dividing the total costs by the projected winter period sales volume of 83,071,582 therms. Direct costs are those costs relating to pipeline transportation capacity, storage capacity and commodity charges, while indirect costs include working capital, bad debt, and overhead charges. These costs are also subject to certain allowed adjustments including prior period over- or under-collections, interest and fuel financing costs.

National Grid's filing proposes a winter 2010-2011 COG rate of $0.8220 per therm for its non-fixed price option residential customers. This represents a $0.1196 per therm decrease compared to the weighted average residential COG rate of $0.9416 per therm last winter. The combined impact of: (1) the proposed firm sales COG rate; (2) other changes in the LDAC; (3) increases in the distribution rates recently approved by the Commission in Order No. 25,127 (June 30, 2010) in Docket No. 10-139; (4) and the implementation of temporary rates approved by Order No. 25,104 (May 14, 2010) in Docket No. 10-017(National Grid's rate case); is an overall decrease in the typical residential heating customer's total winter gas bills of approximately $53, or 4.4%, over last winter.

National Grid's proposed commercial and industrial (C&I) low winter use (LW) and high winter use (HW) COG rates are $0.8186 and $0.8234 per therm, respectively. (C&I LW customers have high load factors while C&I HW customers have low load factors). The rate decrease for C&I customers over the comparable 2009-2010 winter season rates is commensurate with the residential COG rate decrease.

For those customers electing the FPO, National Grid's filing proposes a rate of $0.8420 per therm. The 2010-2011 FPO rate is set at $0.02 above the COG rate proposed in the COG filing, consistent with the method approved in *EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England*, Order No. 24,529 (Oct. 14, 2005). For C&I LW and HW use the proposed FPO rates are $0.8386 and $0.8434 per therm respectively. These rates reflect a decrease of about 15% in each class. After accounting for other charges, the estimated winter bill for a typical residential customer using the FPO would be about $19, or 1.6%, higher than under the proposed COG rate, presuming no later adjustments are made to the COG rate.

2. Reasons for the Decrease in the COG Rates

According to National Grid's filing, the decrease in the COG rates for this winter compared to last year is driven, in large part, by a substantial decrease in commodity costs. The filing indicates that pipeline commodity costs have decreased by about $16.5 million, offset by an increase of approximately $700,000 in supplemental costs relating to underground storage, liquefied natural gas and propane.

These cost decreases are offset, partially, by other factors, including a prior period under-collection. Regarding the under-collection, in the 2009-2010 winter period the Company recorded a net under-collection of $2,484,517. According to the Company's filing, this represents less than 4% of the total gas revenue billed, and was caused by lower than forecasted gas revenue billings.

3. Supply Reliability and Price Stability - Hedging

National Grid testified to the availability of supply from Canadian and Gulf coast sources as well as its own storage capacity. In addition to already existing supply lines, the Company has begun using the recently completed Concord Lateral upgrade, a spur of the Tennessee Gas Pipeline (TGP), as of November 1, 2009. This lateral upgrade is essentially a 30,000 MMBtu per day expansion of the existing pipeline capacity from Dracut, Massachusetts. National Grid stated that it is using this expanded pipeline capacity to offset the need for more expensive liquefied natural gas (LNG) and propane supplies. *See* Transcript of October 12, 2010 Hearing (Tr.) at 31-34. With regard to those supplies, National Grid stated that it maintains sufficient facilities capable of utilizing LNG and propane in the event sufficient other gas supplies are not available. The Company also noted at the hearing that it has entered into asset management agreements for its Gulf Coast long-haul supply and Dracut capacity. Tr. at 33-34. The Company has provided Commission staff with copies of these agreements.

Regarding price stability and hedging, National Grid's filing indicates that it has hedged approximately 61% of its projected needs for the period. The Company intends to continue purchasing gas supply contracts with the goal of hedging approximately 66% of the forecasted total sales volume in December, January, February, and March. Regarding supply reliability, the Company anticipates that it will have all of its available storage filled and all of its seasonal supply contracts executed by December 1, 2010.

4. Transportation Rates, Allocators and Other Charges

The proposed firm transportation COG rate is a charge of $0.0009 per therm. This represents an increase from last winter's rate, which was a credit of $0.0003 per therm. The rate increase is due to an increase in peaking costs that resulted in a prior period under recovery. As to other charges, in *Gas Restructuring-Unbundling and Competition in the Natural Gas Industry*, Order No. 23,652 (March 15, 2001), the Commission approved a supplier balancing charge and peaking service demand charge to be updated once a year, commencing with the November billing month. Supplier balancing charges relate to daily imbalances in each supplier's resource pool at National Grid delivery points (city gates). The suppliers pay National Grid's supplier balancing charges as compensation for costs incurred by National Grid to stay within daily operational balancing tolerances on the Tennessee Gas Pipeline. Peaking service demand charges reflect National Grid's peaking resources and associated costs. National Grid proposes to reduce the supplier balancing charge from $0.12 per MMBtu to $0.11 of daily imbalance volumes, but to increase the peaking service demand charge from $16.43 per MMBtu of peak maximum daily quantity (MDQ) to $18.48 per MMBtu of peak MDQ. The increase in the peaking service demand charge is based on a reduction in the forecast of the Peak Day, the denominator used to derive the per unit peaking demand rate. Finally, the capacity allocator percentages, which are used to allocate pipeline, storage and local peaking capacity to a customer's supplier under the mandatory capacity assignment required by New Hampshire for non-grandfathered firm transportation service, have been updated to reflect National Grid's supply portfolio for the upcoming year.

5. LDAC

The Company's filing proposes a per therm LDAC of: $0.0641 for the residential classes; and $0.0422 for the C&I classes to be billed from November 1, 2010 through October 31, 2011. The LDAC is a combined rate of various surcharges by the Company including the conservation charge, the energy efficiency charge, the environmental surcharge for MGP remediation, and the residential low income assistance program (RILAP).

The current LDAC includes a credit associated with the true-up of its temporary rates and rate case expense in DG 08-009 and a charge related to the emergency response incentive allowed per the EnergyNorth/National Grid Merger in DG 06-107. These components of the LDAC expire October 31, 2010 and a reconciliation of the related expenses and revenues will be performed to determine if there has been an over- or under-collection. The Company proposes to incorporate the reconciliation balance for these two factors in the true-up of its temporary rates and rate case expense in DG 10-017.

Regarding the environmental surcharge for MGP remediation, the Company's success in its third party cost recovery efforts has resulted in the Company's recoveries from insurance carriers and other responsible parties exceeding remediation costs. Consequently, the Company filing proposes that the environmental surcharge remain at zero from November 1, 2010 until October 31, 2011. At the hearing, it was noted that Staff had not completed its review of the environmental surcharge-related costs; however, Staff would be able to address any errors uncovered in the environmental remediation cost calculations in next winter's cost of gas filing. Tr. at 44-45.

Regarding the energy efficiency charge, which recovers expenses associated with National Grid's energy efficiency programs, National Grid proposes a residential rate of $0.0525 per therm, an increase over the $0.0466 per therm rate last year, and a C&I rate of $0.0306 per therm, an increase over the $0.0250 per therm rate last year.

For the RILAP, which recovers administrative and other costs relative to discounts provided low-income customers, National Grid is proposing a charge of $0.0116 per therm, an increase over the $0.0099 per therm rate last winter.

6. MGP Remediation Costs

National Grid testified that it will likely begin incurring substantial costs at its Liberty Hill site in 2011, as a consequence of an interim decision by the New Hampshire Department of Environmental Services. Tr. at 9-11. The Company expects Liberty Hill-related environmental costs to total approximately $2 to 3 million next year. Tr. at 12-13. National Grid noted that these costs will be recovered, pursuant to a settlement agreement, over a seven-year period. Tr. 11-12. All environmental costs would be subject to final review by Commission staff, and subject to future reconciliations. Tr. at 44-45.

7. Motions for Confidential Treatment

As part of its COG filing, National Grid is required to file certain gas supply contract information with the Commission. National Grid, by way of two motions filed with its COG filing (the first initially with its filing on September 1, 2010, and the second in relation to its responses to Staff's data requests on October 15), requests that this information be granted confidential treatment. More specifically, the information National Grid seeks to protect is: (1) Schedule 1, Summary of Supply and Demand Forecast, pages 2, 3 and 4 of 4; (2) Schedule 2, Contracts Ranked on a per Unit Basis; (3) Schedule 4, Adjustments to Gas Costs; (4) Schedule 5A, Demand Costs; (5) Schedule 5C, Demand Rates; (6) Schedule 6, Commodity Costs, pages 1, 3, 4 and 5 of 5; (7) Schedule 7, NYMEX Futures at Henry Hub and Hedged Contracts, pages 2, 3, and 4 of 5; (8) Schedule 16, Storage Inventory, Underground, LPG and LNG, page 4 of 4; (9) Schedule 21, Attachment B, page 3 of 3, backup calculations to Tariff Page 155, in worksheets showing peaking demand rate; (10) Company's response to Staff Data Request 1-11, in Attachment Staff 1-11(a), pages 1 and 2 of 3, Attachment Staff 1-11(b), page 1 of 2, and Attachment Staff 1-11(c), page 1 of 2; (11) Company's response to Staff Data Request 1-12, pages 1 and 2 of 2; (12) Company's response to Staff Data Request 1-21, Attachment Staff 1-21, pages 2, 3, and 4 of 5; (13) Company's response to Staff Data Request 1-22, Attachment Staff 1-22(b), pages 1, 2, and 3 of 3; and (14) Company's response to Staff Data Request 1-23, Attachment Staff 1-23(a), pages 2 and 3 of 4, and Attachment Staff 1-23(b), page 2 of 4. Any pages of the above-identified schedules that are not specifically identified are part of the Company's non-confidential filing and are, therefore, not within the scope of the motions.

National Grid argues that releasing this information will result in a competitive disadvantage to it in the form of less advantageous or more expensive gas supply contracts. According to National Grid, if gas suppliers possessed this information they would be aware of the Company's gas supply costs and terms and would not be likely to propose terms as beneficial as those in existence. As such, National Grid contends that disclosing its confidential commercial information would cause it competitive disadvantage and that the information should, therefore, be exempt from disclosure under RSA chapter 91-A, and otherwise be treated as confidential.

B. OCA

The OCA stated that it did not oppose the Company's COG rates as presented to the Commission. Tr. at 43. The OCA did, however, have concerns about National Grid's higher anticipated sendout of produced gas (e.g., vaporization of either LNG or propane) for the upcoming winter, compared to the actual sendout of produced gas during the 2009-2010 winter heating season. Tr. at 23. The Company explained that last winter had fewer severely cold days than usual, thereby resulting in less use of produced gas than normally forecast. Tr. at 23.

C. Staff

Staff stated that it supported National Grid's COG rates as filed. Tr. at 43. Staff noted that the Commission's audit staff had reviewed last year's peak period reconciliation and found no exceptions. Tr. at 43. Also, Staff noted that the forecast for the coming year was consistent with the Company's prior practices and reflected a general flattening in gas usage due, in part, to the current economic climate. Tr. at 44. Additionally, Staff pointed out that any issues regarding the Company's cost of gas forecast would be reconciled prior to the time next year's peak period filing is made. Tr. at 44. With regard to National Grid's supply plan, Staff noted that direct gas costs are based on actual or hedged prices and projected pricing that reflect market expectations. Tr. at 44.

As to the LDAC, Staff stated that it appeared the Company had calculated the charges correctly and recommended approval of them. Tr. at 44. Staff did note that it had not yet completed its review of the environmental remediation costs or the rate case expenses, but that the rates related to these expenses should be permitted to go into effect, subject to later reconciliation, if necessary. Tr. at 44-45. Regarding the environmental remediation costs, Staff stated that any material errors in those costs would be resolved in the 2011/2012 winter COG filing. Tr. at 45. Finally, Staff noted that the Company's supplier balancing charges and capacity allocator percentages appeared to be accurate and reasonable and recommended that they be approved. Tr. at 45.

III. COMMISSION ANALYSIS

Based upon our review of the record presented in this docket, we find that National Grid's proposed adjustments will result in just and reasonable rates as required by RSA 378:7. Specifically, we approve the proposed 2010-2011 winter period COG, FPO and Transportation COG rates. We also approve National Grid's LDAC rate components (including the conservation charge, environmental cost recovery charge, and residential low income assistance program charge), transportation supplier balancing rate, transportation peaking service demand rate, and transportation capacity allocators. Because the COG rates are reconciled year over year, any adjustments needed as a result of further inquiry into these matters can be made in National Grid's next winter COG proceeding. We approve National Grid's proposal to incorporate the reconciliation balance of the expiring LDAC components in the true-up of its temporary rates and rate case expense in DG 10-017.

As to National Grid's motions for confidential treatment, in determining whether commercial or financial information should be deemed confidential and private, we consider the three-step analysis applied by the New Hampshire Supreme Court. *Unitil Corp. and Northern Utilities, Inc.*, Order No. 25,014 (Sept. 22, 2009) at 3 (citing *Lambert v. Belknap County Convention*, 157 N.H. 375, 382-83 (2008)). First, we evaluate whether there is a privacy interest at stake that would be invaded by the disclosure; when commercial or financial information is involved, this step includes a determination of whether an interest in the confidentiality of the information is at stake. If no such interest is at stake, the Right-to-Know law requires disclosure. *Id*. Second, when a privacy interest is at stake, the public's interest in disclosure is assessed. *Id*. Disclosure should inform the public of the conduct and activities of its government; if the information does not serve that purpose, disclosure is not warranted. *Id*. Finally, when there is a public interest in disclosure, that interest is balanced against any privacy interests in non-disclosure. *Id*.

In furtherance of the Right-to-Know law, the Commission's rule on requests for confidential treatment, N.H. Code Admin. Rules Puc 203.08, is designed to facilitate the balancing test required by the relevant case law. *Id*. The rule requires petitioners to: (1) provide the material for which confidential treatment is sought or a detailed description of the types of information for which confidentiality is sought; (2) reference specific statutory or common law authority favoring confidentiality; and (3) provide a detailed statement of the harm that would result from disclosure to be weighed against the benefits of disclosure to the public. N.H. Code Admin. Rules Puc 203.08(b).

As in previous COG hearings, no party has objected to the requests for confidential treatment. We begin our analysis by observing that the information National Grid seeks to protect relates to supply costs and availability. As National Grid noted gas suppliers who may obtain the information would be aware of the Company's gas supply costs, and the terms of its supply agreements. These suppliers may, then, be less likely to propose terms as beneficial as those in existence. Moreover, protection of this information may redound to the benefit of ratepayers to the extent National Grid is able to negotiate more favorable arrangements.

Accordingly, we conclude that there is a privacy interest at stake which would be invaded by disclosure.

As to the public's interest in disclosure, the information at issue concerns the contracts and cost information of the Company. This information relates to the Company's financial arrangements with various suppliers, but does not reveal anything about the functions of the Commission. *See Unitil Corp. and Northern Utilities, Inc.*, Order No. 25,014 (Sept. 22, 2009) at 3. While the information is, in some sense, informative about the finances of the utility, which are subject to the Commission's scrutiny, we nevertheless conclude that any public interest in disclosure is slight. This is so because little if any information about the Commission, including the processes by which it reviews such information, or the conclusions drawn therefrom, would be discerned by disclosure. Balancing the above interests, we conclude that the Company's interest in privacy outweighs the public's interest in disclosure. Accordingly, we grant National Grid's motions for confidential treatment. Consistent with Puc 203.08(k), our grant of the motions for confidential treatment is subject to our on-going authority, on our own motion, on the motion of Staff, or on the motion of any member of the public, to reconsider our determination.

Based upon the foregoing, it is hereby

ORDERED, that National Grid's 2010-2011 winter COG and FPO per therm rates for the period November 1, 2010 through April 30, 2011 are APPROVED, effective for service rendered on or after November 1, 2010 as follows:

	Cost of Gas	Maximum COG	Fixed Price
Residential	$0.8220	$1.0275	$0.8420
C&I, low winter use	$0.8186	$1.0233	$0.8386
C&I, high winter use	$0.8234	$1.0293	$0.8434

and it is

FURTHER ORDERED, that National Grid shall provide the Commission with its monthly calculation of its projected over- or under-collection, along with resulting revised COG rates for the subsequent month, if applicable, not less than five business days prior to the first day of the subsequent month. National Grid shall include a revised tariff page 84, Calculation of Firm Sales Cost of Gas Rate, and revised rate schedules if it elects to adjust the COG rates; and it is

FURTHER ORDERED, that National Grid may, without further Commission action, adjust the COG rates upward by no more than 25 percent and downward so far as is necessary based upon it projected over- or under-collection; 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 National Grid's proposed 2010-2011 LDAC per therm rates for the period November 1, 2010 through October 31, 2011, are APPROVED effective for service rendered on or after November 1, 2010 as follows:

	Rate Case	Envir.	Energy Efficiency	Low Income	LDAC
Residential Heating	$0.0000	$0.0000	$0.0525	$0.0116	$0.0641
Residential Non-heating	$0.0000	$0.0000	$0.0525	$0.0116	$0.0641
Commercial & Industrial	$0.0000	$0.0000	$0.0306	$0.0116	$0.0422

and it is

FURTHER ORDERED, that National Grid's proposed firm transportation winter COG rate of $0.0009 per therm for the period November 1, 2010 through April 30, 2011, is APPROVED; and it is

FURTHER ORDERED, that National Grid's proposed transportation supplier balancing charge of $0.11 per MMBtu of daily imbalance volumes, is APPROVED; and it is

FURTHER ORDERED, that National Grid's proposed transportation peaking service demand charge of $18.48 per MMBtu of peak MDQ, is APPROVED; and it is

FURTHER ORDERED, that National Grid's proposed transportation capacity allocators as filed in Proposed Second Revised Page 156, Superseding First Revised Page 156, are APPROVED; and it is

FURTHER ORDERED, that National Grid 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; and it is

FURTHER ORDERED, that National Grid's motion for confidential treatment is GRANTED, as set forth above.

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

Thomas B. Getz Chairman	Clifton C. Below Commissioner	Amy L. Ignatius Commissioner

Attested by:

Debra A. Howland
Executive Director