STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 11-046

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

2011 Summer Season Cost of Gas

Order Approving Cost of Gas Rates and
Granting Motion for Confidential Treatment

O R D E R N O. 25,217

April 29, 2011

APPEARANCES: Thomas P. O'Neill, Esq. and Megan F.S. Tipper, Esq. of EnergyNorth Natural Gas, Inc. d/b/a National Grid NH; Meredith Hatfield, Esq. 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 March 15, 2011, EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (National Grid or Company), a public utility that distributes natural gas in southern and central New Hampshire and the City of Berlin, filed its cost of gas (COG) and other rate adjustments for the 2011 summer period, which result in an approximate 6.2% increase for a typical residential heating customer. National Grid proposes an increase in the LDAC rate of $0.0052 per therm, related to the settlement agreement approved in Order No. 25,202 (March 10, 2011) in Docket No. 10-017, setting National Grid's delivery rates. The settlement allows for the recovery of the difference between the delivery revenues obtained under temporary rates and permanent rates. National Grid's filing included the direct testimony and supporting attachments of Ann E. Leary, Manager of Pricing – New England and Theodore E. Poe, Jr., Lead Analyst. In addition, National Grid filed a motion for confidential treatment regarding specific schedules in the 2011 COG filings.

On March 22, 2011, the Commission issued an order of notice scheduling a hearing for April 14, 2011. On March 22, 2011, the Office of Consumer Advocate (OCA) notified the Commission of its participation in the docket on behalf of residential ratepayers consistent with RSA 363:28. No other parties intervened in this docket. A hearing on the COG was held on April 14, 2011 as scheduled. At the hearing, National Grid filed certain updates to its supporting schedules.

II. POSITIONS OF THE PARTIES AND STAFF

A. National Grid

National Grid witnesses Leary and Poe addressed the calculation of the proposed COG rates, customer bill impacts, reasons for the rate increases, and changes to the Company's supply portfolio.

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

Pursuant to the COG clause, National Grid, with the Commission's approval, may adjust on a semi-annual basis its firm gas sales rates in order to recover the costs of gas supplies, capacity and certain related expenses, net of applicable credits, as specified in National Grid's tariff. The average COG rate, which is the COG rate payable by residential customers, is calculated by dividing total anticipated direct costs of $13,951,294 and total indirect costs of $357,952 by projected summer season sales of 19,531,283 therms. Direct costs include pipeline transportation capacity and commodity charges, and adjustments, consisting of a prior period over-collection and interest. Indirect costs consist of working capital, bad debt and overhead charges.

National Grid's filing proposes a 2011 summer season residential COG rate of $0.7326 per therm, an increase of $0.0038 per therm from the weighted average 2010 summer season residential COG rate of $0.7288 per therm. The impact of the proposed firm sales COG rate, combined with the proposed increase in the LDAC, is an overall increase in the typical residential heating customer's summer gas costs of approximately $25, or 6.2 percent, when compared to the average COG rates for the 2010 summer season.

National Grid's proposed commercial and industrial (C&I) low winter use and high winter use COG rates are as follows: $0.7256 per therm for the low winter use COG rate and $0.7365 per therm for the high winter use COG. (C&I low winter use customers have high load factors while C&I high winter use customers have low load factors). The rate increase for C&I customers over the comparable 2010 summer season rates is commensurate with the residential COG rate increase.

2. Reasons for the Increase in the COG Rates; LDAC Adjustment

According to National Grid, the increase in the proposed COG rates, as compared to last summer's rates, is primarily due to two factors: an increase in direct gas costs (driven by an increase in demand costs, offset by a decrease in commodity costs); and an increase in indirect gas costs. Specifically, the Company has updated its Tennessee Gas Pipeline (TGP) demand charges to reflect the November 30, 2010 TGP tariff rates as filed by TGP in its current rate case before the Federal Energy Regulatory Commission (FERC). While settlement negotiations are ongoing and the TGP's final rates are unknown (National Grid is participating in a shippers' group litigating the matter before FERC), National Grid has included TGP's proposed rates for the months of June 2011 through October 2011 as its best estimate of increased demand charges associated with the TGP rate request before FERC.

National Grid's proposed increase in the LDAC of $0.0052 per therm is a factor, approved by the Commission in Docket No. DG 10-230 by Order No. 25,161 (October 28, 2010), to recover the difference between the delivery revenues obtained from the rates prescribed in the temporary rate order, Order No. 25,104 (May 14, 2010), and the delivery revenue which was approved in Docket No. DG 10-017 by Order No. 25,202 (March 10, 2011). This incremental revenue will be recovered by National Grid, as specified in the settlement agreement, on a volumetric basis over a twelve-month period. Accordingly, the Company proposes an LDAC of $0.0693 per term for the residential non-heating customer class and residential heating customer class, and an LDAC of $0.0474 per therm for the C&I customer classes for the summer 2011 season.

3. Motion for Protective Order and Confidential Treatment

National Grid requested confidential treatment of certain information contained in Schedules 1, 2, 4, 5A, 5C, 6, and 7. The schedules concern, respectively: costs associated with the summary of supply and demand forecasts; contracts ranked on a per-unit cost basis; adjustments to gas costs; details of demand costs per unit; details of demand rates per unit; details of commodity costs per unit; and hedged contracts (including pricing terms).

The Company asserts that the information for which it seeks confidential treatment constitutes trade secrets and should be protected as confidential commercial information. The Company further states that it does not disclose this information to anyone aside from its corporate affiliates and representatives. According to National Grid, release of this information would likely result in competitive disadvantage for the Company because gas suppliers would be aware of National Grid's expectations regarding gas supply costs and other contract terms and would be unlikely to propose to supply such goods and services on terms more advantageous to National Grid, ultimately resulting in higher prices to customers. Therefore, the Company argues, the information constitutes "confidential, commercial or financial information," as defined in RSA 91-A:5, IV, which is expressly exempt from the public disclosure requirements of RSA chapter 91-A, the Right-to-Know law.

B. OCA

OCA questioned the Company in general terms about ongoing migration of its customers from firm sales to transportation. Transcript of April 14, 2011 Hearing (Tr.) at 14-15. OCA also queried the Company about integration of its energy-efficiency programs when developing sales forecasts used to calculate the COG. Tr. at 15. The Company responded that it did integrate the expected impact of its energy-efficiency programs in developing its net demand forecasts. Tr. at 15-16. The Company confirmed for OCA that the costs of litigating the TGP case before FERC were not included in this filing. Tr. at 18. In its closing, OCA stated that it did not oppose the Company's filing. Tr. at 29.

C. Staff

Staff confirmed that the Commission's Audit Staff had audited the reconciliation from the 2010 summer COG season and found no exceptions. Tr. at 30. Staff also queried the Company generally about the progress of its litigation, together with its shippers' group, in the TGP case before FERC. Tr. at 20-23. Staff made reference to an error in the Company's allocation of the costs associated with Company use of gas, and observed that the Company has not been consistently filing an annual Company Gas Allowance adjustment, as defined and directed in its tariff. Tr. at 22. Staff requested that the Company provide a thorough analysis, to be filed with the Commission no later than the 2011-2012 winter COG filing period, of the impact on both bundled sales customers and unbundled transportation customers of using a fixed Company Gas Allowance of 1.2 percent, versus a Company Gas Allowance that is recalculated annually based on prior year actual data. Tr. at 30-31. The Company agreed to this request. Tr. at 22-23.

Staff supported the Company's revised COG rates, together with its LDAC adjustment. Tr. at 30. Staff stated that National Grid's forecasts appeared reasonable and consistent with past practices, and that the Company's supply plan integrated actual costs for hedged supplies and recent NYMEX futures average prices for non-hedged supplies. Tr. at 30. Staff also supported the Company's motion for confidential treatment. Tr. at 31. Finally, Staff confirmed that, as with prior COG dockets, the rate was subject to reconciliation, and that should a problem arise, it may be addressed in next summer's COG filing. Tr. at 30.

III. COMMISSION ANALYSIS

A. Cost of Gas Rates and LDAC Adjustment

Based on our review of the record, we approve the proposed 2011 summer season COG rates as just and reasonable pursuant to RSA 378:7. The proposed rates, as revised, reflect current market data. We note also that, pursuant to *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,* Order No. 24,963 (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 reductions in price and, to a limited extent, upward trends may be followed. Also, we approve the Company's proposed adjustment to its LDAC charges, as conforming to the settlement agreement approved in Docket No. DG 10-017 by Order No. 25,202.

We also support Staff's request for a thorough analysis, to be filed with the Commission no later than the 2011-2012 winter COG filing period, of the impact on both bundled sales customers and unbundled transportation customers of using a fixed Company Gas Allowance of 1.2 percent, versus a Company Gas Allowance that is recalculated annually based on prior year actual data. We also expect that, beginning on November 1, 2011, the Company will be in compliance with the Company Gas Allowance requirements as spelled out in the "Delivery Terms and Conditions" section of the gas tariff.

B. Motion for Confidential Treatment

Regarding National Gird's motion for confidential treatment, RSA 91-A:5, IV states, in relevant part, that records of "confidential, commercial, or financial information" are exempted from disclosure. *See Unitil Corp. and Northern Utilities, Inc.*, Order No. 25,014 (September 22, 2009) at 2. In determining whether commercial or financial information should be deemed confidential, we first consider whether there is a privacy interest that would be invaded by the disclosure. *Unitil Corp. and Northern Utilities, Inc.,* Order No. 25,014 (September 22, 2009) at 2-3. Second, when a privacy interest is at stake, the public's interest in disclosure is assessed. *Id.* at 3. 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 nondisclosure. *Id.* This is similar to the Commission's rule on requests for confidential treatment. *See* N.H. Code Admin. Rules Puc 203.08; *see also Unitil Corp. and Northern Utilities, Inc.*, Order No. 25,014 (September 22, 2009) at 3.

Applying the above considerations, we conclude that the information here is of a sufficiently sensitive nature that it need not be disclosed. Disclosure of National Grid's existing arrangements or its expectations about pricing, supply, and demand of natural gas would reveal the internal business decisions of the Company, and, at the same time, injure its bargaining position with its potential future suppliers of gas. As such, disclosure would invade National Grid's privacy interest and damage its competitive position, potentially to the detriment of ratepayers. Further, there is no indication that disclosure of the information will inform the public about the workings of the Commission, and no party or person has objected to confidential treatment or asserted that disclosure would inform the public about the activities of the government. Accordingly, in balancing the interests of the Company in protecting its information with the public's interest in disclosure, we conclude that the information may be protected and we grant National Grid's motion. Consistent with Puc 203.08(k), our grant of this motion 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 proposed 2011 summer season COG rates for the period May 1, 2011 through October 31, 2011 are APPROVED as set forth in this Order, effective for service rendered on or after May 1, 2011 as follows:

	Cost of Gas	Maximum COG
Residential	$0.7326	$0.9158
C&I, low winter use	$0.7256	$0.9070
C&I, high winter use	$0.7365	$0.9206

FURTHER ORDERED, that National Grid 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 with no limitation on reductions to the COG rate; and it is

FURTHER ORDERED, that National Grid 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. National Grid shall include a revised tariff page 87 – Calculation of Cost of Gas Adjustment for firm sales and revised firm rate schedules under separate cover letter if National Grid elects to adjust the COG rate, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that the 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 the proposed LDAC rates of $0.0693 per therm for the residential non-heating customer class and residential heating customer class, and $0.0474 per therm for the C&I customer classes, are APPROVED as set forth in this order, effective for service rendered on or after May 1, 2011; and it is

FURTHER ORDERED, that the pending motion for confidential treatment is GRANTED as set forth in this Order; and it is

FURTHER ORDERED, that National Grid shall file properly annotated tariff pages in compliance with the Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day April, 2011.

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

Attested by:

Lori A. Davis
Assistant Secretary