

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 11-054

NEW HAMPSHIRE GAS CORPORATION

2011 Summer Season Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 25,218

April 29, 2011

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

I. PROCEDURAL HISTORY

On March 21, 2011, New Hampshire Gas Corporation (NHGC or Company), a public utility that distributes propane air gas in Keene, filed its proposed cost of gas (COG) rate for the summer season, May 1, 2011 through October 31, 2011. *See* Hearing Exhibit 1, March 21, 2011 COG Filing. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Brian R. Maloney, Lead Analyst for Rochester Gas and Electric Corporation (RG&E). RG&E is an affiliate of NHGC and provides NHGC with various management services. The Commission issued an order of notice on March 23, 2011 scheduling a hearing for April 21, 2011. On April 19, 2011, NHGC filed a revised proposed COG rate for the summer season. *See* Hearing Exhibit 2, April 19, 2011 Revised COG Filing. The hearing was held as scheduled on April 21, 2011. There were no intervenors.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

NHGC witness Maloney addressed the calculation of the proposed COG rates and customer bill impacts, and rate changes on a bills-rendered basis.

1. Calculation and Impact of the COG Rate

NHGC proposes a COG rate, applicable to residential as well as commercial and industrial customers, of \$1.9493 per therm. This rate is calculated by dividing the anticipated costs of \$582,127 by projected firm sales of 298,632 therms. NHGC's proposed 2011 summer season COG rate is an increase of \$0.2684 per therm from the 2011 weighted average summer season COG rate of \$1.6809 per therm.

The proposed 2011 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 an \$85 increase in the average residential heating and hot water customer's summer season gas costs, which represents a 16% increase from last summer's costs. On a total bill basis, including current customer, delivery, and other charges, an average residential heating and hot water customer using 318 therms will see an increase of \$73, or 8%, 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 higher projected spot market prices for propane. In addition, NHGC states that trucking fees have increased over last year, due to fuel surcharges.

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 the 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 2011-2012 winter period, NHGC issued a request for proposals (RFP) to five suppliers on February 28, 2011 and received two proposals that are currently being evaluated by the Company.

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 implement 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 2011 summer period, which showed a slight increase over the reported sales for the same period in 2010. Tr. at 7. 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.

In its closing, Staff stated that it supported the rates as filed by the Company. Tr. at 13. Staff also stated that Commission Audit Staff had reviewed the 2010 summer season reconciliation and found it to be materially accurate. Tr. at 13. Staff noted that the Company's sales forecast and supply forecast appeared to be consistent with recent COG forecasts, and that actual 2011 summer season gas costs and revenues would be reconciled prior to the 2012 Cost of Gas proceeding. Tr. at 13. Staff commended the Company for its success in reducing its unaccounted for gas losses to levels not seen in at least the past ten years, noting the importance these reductions to NHGC rate payers in offsetting higher propane market prices. Staff also supported the continuation of the Company's Propane Pricing Stabilization Plan, noting that the program has helped mitigate some of the price volatility in the market price of propane. Tr. at 13-14.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2011 summer season COG rate as a just and reasonable rate pursuant to RSA 378:7. The rates have been

calculated in a manner consistent with past practice, 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 rates may be adjusted monthly without further Commission action in order to eliminate or reduce projected over or under recoveries in a timely and efficient manner, although rate increases are limited to no more than twenty-five percent of the approved rates. Thus, monthly COG rates can be adjusted to reflect actual costs and revised cost projections throughout the period while limiting rate increases.

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. *See* 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 the 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 summer 2011 season COG rate of \$1.9493 per therm for the period of May 1, 2011 through October 31, 2011 is APPROVED, effective for bills rendered on or after May 1, 2011; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the COG rates 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 rates; and it is

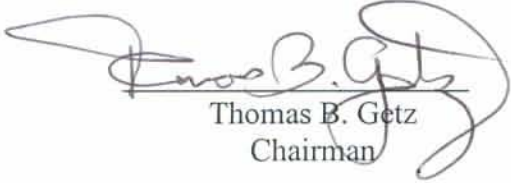
FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 25 – Calculation of the Cost of Gas and revised tariff pages if NHGC elects to adjust the COG rate; and it is

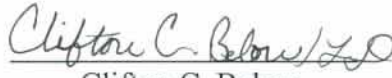
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported in *The Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is


FURTHER ORDERED, that NHGC shall file 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 of


April, 2011


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy D. Ignatius
Commissioner

Attested by:


Lori A. Davis
Assistant Secretary

