

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 12-284

NEW HAMPSHIRE GAS CORPORATION

Winter 2012-2013 Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

O R D E R N O. 25,433

October 30, 2012

APPEARANCES: Meabh Purcell, Esq., of Holland & Knight, on behalf of New Hampshire Gas Corporation and Edward N. Damon, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 24, 2012, New Hampshire Gas Corporation (NHGC or Company), a public utility distributing propane-air gas service to approximately 1,100 customers in Keene, filed its proposed cost of gas (COG) and fixed-price option (FPO) rates for the 2012-2013 winter COG period. NHGC's filing included proposed revised tariff pages and the direct pre-filed testimony of Brian R. Maloney, an employee of Rochester Gas and Electric Corporation, an affiliated company providing certain management services to NHGC. Additionally, 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. On September 28, 2012, the Commission issued an order of notice setting a hearing in the matter for October 23, 2012. On October 12, 2012, NHGC filed a motion for confidential treatment of certain information in attachments to responses to a Staff data request, which it subsequently withdrew, citing the Commission's rules regarding

confidential treatment in routine filings, N.H. Code Admin. Rules Puc 201.06¹ and 201.07. No parties intervened in the docket and the hearing was held on October 23, 2012, as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

NHGC witness Maloney testified regarding: (1) the calculation of the proposed COG rate and resulting customer bill impacts; (2) the reasons for the change in COG rates; (3) gas supplies and supply reliability; (4) the request for waiver of the rule requiring rate changes on a service-rendered basis; and (5) implementation of a deferred revenue surcharge.

1. Calculation of the COG Rate and Customer Bill Impacts

The Company's proposed non-FPO winter 2012-2013 COG rate is \$1.5017 per therm, which was calculated by taking the total anticipated period costs of \$1,398,212 and dividing by projected gas sales of 931,112 therms. Total anticipated costs, in turn, are derived by starting with the total estimated cost of propane sendout, \$1,445,302, and adjusting that cost for a prior period over-collection of (\$47,527) and prior period interest charge of \$437 on the monthly balances. The rate represents a decrease of \$0.6236 per therm below the weighted average COG rate of \$2.1253 per therm last winter. For a typical non-FPO residential heating customer, the proposed rate would equal a decrease of 29 percent in gas costs and an overall decrease of over \$514, or 17 percent, after factoring in customer and other charges.

The proposed FPO rate is \$1.5217 per therm, derived by adding two cents to the non-FPO rate. This represents a decrease of \$0.7140 per therm or almost 32 percent from last winter's rate of \$2.2357 per therm. Approximately 17% of the Company's customers have enrolled in the 2012-2013 FPO program.

¹ See in particular 201.06(a)(26).

2. Reasons for the Decrease

Mr. Maloney's pre-filed testimony indicated that the primary reason for the rate decreases is the decrease in market prices of propane compared to last winter, coupled with a decrease in the price of pre-purchased propane supplies and a refund of last winter's overcollection. *See* Hearing Exhibit 1, Direct Testimony of Brian Maloney at 7. NHGC based the spot prices for its propane on the Mont Belvieu propane futures settlement prices as of September 18, 2012, as presented in Schedule E of NHGC's filing.

3. Gas Supply and Supply Reliability

NHGC has implemented its propane purchasing stabilization plan as approved in *New Hampshire Gas Corp.*, Order No. 24,617 (April 28, 2006). Under that plan, NHGC has hedged 700,000 gallons of propane at a weighted average delivered cost of \$1.3827 per gallon, or \$1.511 per therm. NHGC indicated in Schedule C of its filing that it has pre-purchased approximately 66% of its total winter propane requirements.

Mr. Maloney testified that NHGC has contracted for the right to purchase up to 50,000 gallons of propane from a storage facility owned by Liberty Utilities (EnergyNorth Natural Gas, Inc.) approximately 50 miles from NHGC's gas plant, to provide additional offsite storage capabilities enhancing NHGC system reliability.

4. Rate Changes on a Bills-Rendered Basis

NHGC requested that the Commission waive N.H. Code Admin. Rules Puc 1203.05(b), which requires that rate changes be implemented on a service-rendered basis. Mr. Maloney, in his pre-filed testimony, 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. Implementation of a Deferred Revenue Surcharge

In Docket No. DG 09-038, the Commission approved NHGC's request to implement the allowed delivery rate increase in stages, over time. *New Hampshire Gas Corporation*, Order No. 25,039 (Oct. 30, 2009). NHGC was allowed to defer the difference between the approved maximum delivery rates and the discounted rates for future recovery after rates reached the approved maximum. As detailed on Appendix 4 of Mr. Maloney's testimony, the deferred amount NHGC seeks to recover is \$178,586. The recovery of these deferred revenues will be spread out over a 24-month period and the surcharge unit rate will be \$0.0716 per therm for November 1, 2012 through October 31, 2103.

B. Staff

Staff, in its closing, stated that it supported the Company's proposed winter period COG and FPO rates. According to Staff, the Company's sales forecast for the 2012-2013 peak period is consistent with past experience, and the propane supply plan is consistent with those used by the Company in prior years. Staff also noted that there will be a reconciliation of forecast and actual propane costs for the 2012-2013 peak COG period that will be filed prior to the 2013-2014 winter COG proceeding, and that any concerns that may arise related to the Company's 2013-2014 gas planning and dispatch may be raised and addressed in the future. Staff also noted that the Staff Audit report regarding the prior winter period gas costs has not yet been submitted, and recommended that the rates be approved for effect on November 1, 2012, subject to there being no material exceptions in the Audit report. Staff stated that it had reviewed NHGC's calculation

of deferred revenues related to NHGC's gradual implementation of its approved rate increase in Docket No. 09-038 and did not find any problem with the calculation.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2013 winter period COG and FPO rates as just and reasonable rates pursuant to RSA 378:7. The rates appear to have been calculated in a manner consistent with past practices and Staff's review has not revealed any deficiencies. Because the final Audit report has not yet been issued, the approved rates are subject to the possibility of being re-examined in the future if the Audit report contains material exceptions.

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 25 percent of the approved rates. In this way, 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 a change in rates instituted 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 2012-2013 winter non-FPO COG rate of \$1.5017 per therm and FPO COG rate of \$1.5217 per therm for the period November 1, 2012 through April 30, 2013 are APPROVED, effective November 1, 2012 on a bills-rendered basis, in accordance with the above; and it is

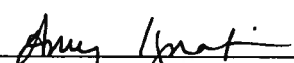
FURTHER ORDERED, that NHGC may, without further Commission action, adjust the COG rates based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation on 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 business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 24 – Calculation of the Cost of Gas and other 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 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 thirtieth day of October, 2012.



Amy C. Ignatius
Chairman

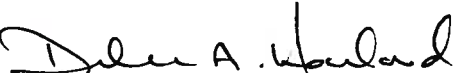


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director