

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 13-082

NEW HAMPSHIRE GAS CORPORATION

2013 Summer Season Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 25,500

April 26, 2013

APPEARANCES: Meabh Purcell, Esq., of Holland & Knight 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 14, 2013, 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 for the summer season, May 1, 2013 through October 31, 2013. *See* Hearing Exhibit 1, March 14, 2013 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 20, 2013 scheduling a hearing for April 17, 2013. The hearing was held as scheduled on April 17, 2013. 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's filing, as testified to by Mr. Maloney, proposes a COG rate, applicable to residential as well as commercial and industrial customers, of \$1.4892 per therm. This rate is calculated by dividing the anticipated costs of \$467,551 by projected firm sales of 313,968 therms. NHGC's proposed 2013 summer season COG rate is an increase of \$0.1164 per therm from the 2012 weighted average summer season COG rate of \$1.3728 per therm.

The proposed 2013 summer season COG rate was calculated by using the most recently projected per unit costs of propane based on the March 11, 2013 Mt. Belvieu settlement prices for the propane futures market multiplied by anticipated demand, plus brokers' fees, Propane Education and Research Council (PERC) charges, supplier charges, pipeline transportation costs and trucking charges.

The impact of the proposed COG rate on a residential customer using 318 therms is a \$37 increase in summer season gas costs, which represents an 8.5 percent increase from last summer's costs. On a total bill basis, including current delivery rates and other charges, a residential customer using 318 therms will see an increase of \$59.80, or 7 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 increased propane pipeline tariff rates effective November 2012.

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, NHGC stated that the pre-purchases allow the Company to fulfill the purpose of the plan by mitigating the rate volatility and the pre-purchases facilitate the Company's offering of a fixed-price option during the winter period. NHGC, therefore, recommended that the plan be continued. With regard to its supply for the 2013-2014 winter period, NHGC issued a request for proposals (RFP) to five potential suppliers on February 27, 2013. At hearing, NHGC confirmed that it had selected a winning bidder, with a per-gallon pre-purchase premium of \$0.01, a very low premium reflecting the winning supplier's aggressive marketing tactics used at the present time. *See* Transcript of April 17, 2013 Public Hearing (Tr.) at 8, 18.

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 NHGC, through cross-examination of Mr. Maloney at hearing, about opportunities for connection, via a lateral pipeline, to Tennessee Gas Pipeline's proposed natural gas pipeline to be routed through northern Massachusetts between upstate New York and Dracut, Massachusetts. Tr. at 13-14. Mr. Maloney indicated that he was uncertain if anyone from NHGC or an affiliate had engaged in preliminary discussions with Tennessee Gas Pipeline related to this project but indicated that the company was aware of the project and has internally done rough estimate cost reviews for such a potential lateral connection to the new Tennessee Gas Pipeline. Mr. Maloney also indicated that if the costs for such a lateral connection were reasonable, NHGC would consider the construction of such a connection to the lower-cost natural gas supply network. Tr. at 13-14.

Staff also inquired of Mr. Maloney regarding NHGC's methodologies for calculating average usage for a typical residential heating customer on its system for the purposes of evaluating COG bill impacts. Mr. Maloney, on cross-examination, did concur that the actual average usage of 87 therms per customer, for all of the summer 2012 COG period, was likely too low as a proxy figure, as this figure incorporated the various non-heating NHGC customers that would have much lower usage than the average heating customer during the summer COG period. Tr. at 12. Mr. Maloney also noted that NHGC's current bill-impact summer COG average usage calculation figure of 318 therms had limitations in accuracy, in that this would tend to overstate the bill impact on non-heating NHGC customers of the COG rates. Tr. at 12. In order to address this issue, Mr. Maloney indicated NHGC's willingness to work with Staff to

develop a more accurate methodology to measure usage, and resulting COG bill impacts, for NHGC customers. Tr. at 12-13.

Through cross-examination of Mr. Maloney, Staff also confirmed that Audit Staff had completed its review of last year's NHGC reconciliation, and found no exceptions. Tr. at 13.

In its closing, Staff stated that it supported the rates as filed by the Company. Tr. at 22. Staff noted that it looked forward to working with NHGC on the typical usage calculation issue. Tr. at 22. Staff also commended the Company for its efforts in reducing unaccounted for gas percentages (*i.e.*, line losses) on its system. Tr. at 22.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2013 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 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.

We also support Staff's, and the Company's, indications of willingness to work together to develop a new methodology for calculation of typical usage for the purposes of COG bill impacts, and we look forward to the results of this effort.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed summer 2013 season COG rate of \$1.4892 per therm for the period of May 1, 2013 through October 31, 2013 is APPROVED, effective for bills rendered on or after May 1, 2013; 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 about the approved rate with no limitation on reductions to the COG rates; and it is

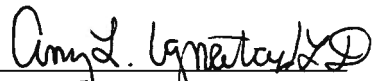
FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five (5) business days prior to the first day of the


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-sixth day of April, 2013.


Amy L. Ignatius
Chairman


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director