

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 13-083

NORTHERN UTILITIES, INC.

2013 Summer Season Cost of Gas

Order Approving Cost of Gas Rates

ORDER NO. 25,503

April 30, 2013

APPEARANCES: Rachel A. Goldwasser, Esq., of Orr & Reno, P.A., on behalf of Northern Utilities, Inc.; Rorie E.B. Hollenberg, 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, 2013, Northern Utilities, Inc. (Northern or Company) filed proposed rate adjustments pursuant to the Cost of Gas (COG) clause in its tariff for the period May 1, 2013 through October 31, 2013, applicable to Northern's natural gas operations in the southeastern and seacoast areas of New Hampshire.¹ *See* Hearing Exhibit 1, March 15, 2013 COG Filing. The filing was accompanied by supporting schedules and the direct testimony of Christopher A. Kahl, Francis X. Wells, and Joseph F. Conneely for Unutil Service Corporation, an affiliate company of Northern.

On March 20, 2013, the Commission issued an order of notice scheduling a hearing for April 16, 2013. On March 21, 2013, the Office of Consumer Advocate (OCA) notified the Commission, consistent with RSA 363:28, of its participation in the docket on behalf of

¹ Northern supplied certain schedules under a request for confidential treatment made pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), 201.06(a)(26), and 201.07.

residential ratepayers. The hearing was held as scheduled on April 16, 2013; there were no other intervenors.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Among other things, Northern's witnesses Kahl, Wells and Conneely addressed the calculation of the proposed COG rates and customer bill impacts.

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

Pursuant to the COG clause, Northern may, subject to the Commission's jurisdiction, adjust semi-annually its firm gas sales rates to recover the costs of gas supplies, capacity and certain related expenses, net of applicable credits, as specified in Northern's tariff. For the summer 2013 period, the proposed average COG rate, which is the COG rate payable by residential customers, was calculated as follows.

- The total costs were calculated by summing the anticipated direct costs of \$3,990,771 and the anticipated indirect costs of \$243,752;
- The total costs were then divided by the projected summer period sales volume of 7,625,909 therms to obtain the average COG rate.

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.

Northern's filing proposes a 2013 summer season residential COG rate of \$0.5553 per therm, an increase of \$0.1444 per therm from the weighted average 2012 summer season

residential COG rate of \$0.4109 per therm. The impact of the proposed firm sales COG rate is an overall increase in the typical residential heating customer's summer gas costs of approximately \$43, or 11.5 percent, when compared to the average COG rates for the 2012 summer season, with typical residential usage of 318 therms for the summer COG period applied.

Northern's proposed commercial and industrial (C&I) low winter use and high winter use COG rates are as follows: \$0.5180 per therm for the low winter use COG rate and \$0.5780 per therm for the high winter use COG. The increases in low winter use and high winter use COG rates for C&I customers for the 2013 summer season are comparable to the increase in residential rates.

2. Reasons for the Increase in the COG Rates

According to Northern, the increase in the proposed COG rates, as compared to last summer's rates, is the result of increased commodity prices, increased pipeline demand costs, and the application of adjustments resulting from a prior-period under-collection of approximately \$148,000.

B. OCA

The OCA stated that it had no objection to Northern's COG rates as presented to the Commission. See Transcript of April 16, 2013 Public Hearing (Tr.) at 31. At hearing, through cross-examination of Northern witness, Mr. Conneely, OCA inquired as to the differences between Northern's typical residential customer usage rate, used in calculating COG bill impacts, of 318 therms for the summer 2013 period, in comparison to the actual average per-customer usage calculated across Northern's system, of approximately 157 therms. Tr. at 15-16.

C. Staff

Staff, through cross-examination of Northern witness, Mr. Conneely, asked if the Company would shift to using an average monthly actual usage figure in calculating COG bill impacts in future COG filings. Tr. 16-17. Mr. Conneely confirmed that the Company viewed the use of actual monthly usage figures as more accurate (in this instance, equaling 157 therms for the summer 2013 COG period for each residential customer, versus the “typical usage” figure of 318 therms for the same time period), and further clarified on redirect testimony that the 157 therm calculation was based on a weather-normalized calculation of average usage, by month, on the Northern system. Tr. at 31. (The bill impact resulting from the proposed summer 2013 COG rates, when this 157 therm usage figure is applied, would be an increase of approximately \$21, or 9.3 percent, as compared with last summer’s rates). In its closing statement, Staff viewed approval of the Company’s revised COG rates as appropriate, subject to reconciliation. Tr. at 31-32.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2013 summer season COG rates as just and reasonable pursuant to RSA 378:7. We note also that pursuant to *Northern Utilities*, Order No. 24,961 (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.

Furthermore, we approve of Northern’s proposal to apply a more accurate typical customer usage methodology for calculating COG rate impacts, by using the actual monthly, weather-normalized average usage data for Northern’s system, and direct Northern to apply this methodology in its winter season 2013-2014 COG filing, and subsequent COG filings.

Based upon the foregoing, it is hereby

ORDERED, that Northern’s proposed 2013 summer season COG rates for the period May 1, 2013 through October 31, 2013 are **APPROVED** as set forth in this Order, effective for service rendered on or after May 1, 2013 as follows:

| | Cost of Gas | Maximum COG |
|---------------------------------|--------------------|--------------------|
| Residential | \$0.5553 | \$0.6941 |
| C&I, low winter use | \$0.5180 | \$0.6475 |
| C&I, high winter use | \$0.5780 | \$0.7225 |

and it is

FURTHER ORDERED, that Northern 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 Northern 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. Northern shall include revised tariff pages 38 & 39 – Calculation of Cost of Gas Adjustment and revised rate schedules under separate cover letter if Northern elects to adjust the COG rates, 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 Northern use, as part of its winter season 2013-2014 COG filing, and subsequent COG filings, the usage methodology for calculating COG rate impacts on the basis of average, weather-normalized system monthly usage, as discussed in this order; and it is

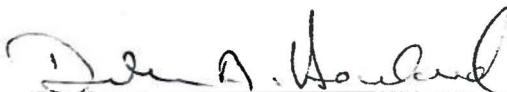
FURTHER ORDERED, that Northern shall file properly annotated tariff pages in compliance with the Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2013.


Michael D. Harrington
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director