

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 14-074

NEW HAMPSHIRE GAS CORPORATION

2014 Summer Season Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 25,654

April 25, 2014

APPEARANCES: Brian R. Maloney, on behalf of New Hampshire Gas Corporation; Michael J. Sheehan, Esq., and Alexander Speidel, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves New Hampshire Gas Corporation's (NHGC) proposed 2014 summer cost of gas rate of \$1.6190 per therm, which is an increase of \$0.1413 per therm or 9.6 percent over the 2013 weighted average summer season COG rate. A typical residential customer will pay approximately \$13.25 more over the course of the six month summer period.

I. PROCEDURAL HISTORY

NHGC is a public utility that distributes propane air gas in Keene. On March 17, 2014, NHGC filed its proposed cost of gas (COG) rate for the summer season, May 1, 2014, through October 31, 2014. *See* Exhibit 1. NHGC's filing consisted of 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 various management services to NHGC.

The Commission issued an order of notice that scheduled a hearing for April 16, 2014. The hearing was held as scheduled. There were no intervenors.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

1. Calculation and Impact of the COG Rate

NHGC proposed a 2014 summer season COG rate of \$1.6190 per therm, which applies to residential as well as commercial and industrial customers. Ex. 1 at 3; Transcript of April 16, 2014, Hearing (Tr.) at 7. NHGC calculated this proposed rate by dividing its anticipated propane costs of \$550,980 by the projected firm sales of 340,323 therms. Ex. 1 at 3. The anticipated propane costs were based on the per unit costs from the Mt. Belvieu settlement prices for the propane futures market as of March 11, 2014, multiplied by anticipated demand, plus brokers' fees, Propane Education and Research Council charges, supplier charges, pipeline transportation costs, and trucking charges. *Id.* at 4.

NHGC's proposed rate represents an increase of \$0.1413 per therm or 9.6 percent over the 2013 weighted average summer season COG rate of \$1.4777 per therm. Ex. 1 at 5; Tr. at 7. The impact of the proposed COG rate on the bill of an average residential heating and hot water customer using 318 therms, which bill also includes customer charges, delivery charges, and other charges, is an increase of \$13.25 or 3.6 percent over last summer. Ex. 1 at 5.

2. Reasons for the Change in the COG Rate

According to NHGC, the increase in the proposed COG rate over last summer is primarily due to higher projected spot market prices for propane. Ex. 1 at 5; Tr. at 11.

3. Propane Purchasing Stabilization Plan

In *New Hampshire Gas Corp.*, Order No. 24,745 (Apr. 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. NHGC reported that the estimated premium of \$0.0089 per gallon that it paid for the 2013-14 winter season was favorable because the supplier market was very competitive when NHGC issued requests for proposals in March 2013. Ex. 1 at 6. NHGC compared the propane costs under its contract price versus spot prices during the first four months of the 2013-2014 winter period. NHGC's analysis showed that its actual contract costs were 42 percent lower than the average spot price during that time, reflecting the volatile propane market due to the unusually cold weather and resulting supply constraints. *Id.* NHGC recommended that the propane purchase stabilization plan should continue. *Id.*

For the 2014-2015 winter period, Mr. Maloney testified that NHGC issued a request for proposals to seven potential suppliers seeking a slight increase in pre-purchases from 700,000 to 725,000 gallons. Ex. 1 at 6; Tr. at 10-11. As of the hearing date, NHGC was about to sign a contract for a \$0.09 per gallon premium for the propane it pre-purchases for this coming winter season. Tr. at 9. Although higher than the 2013-14 premium, the \$0.09 premium is consistent with that paid in prior years. Tr. at 9.

4. Rate Changes in 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 so that NHGC can 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 its current billing system would have to be replaced at a substantial cost to allow for service-rendered billing. Ex. 1 at 7; Tr. at 15-16.

B. Staff

Responding to Commission Staff's (Staff's) questions, Mr. Maloney testified that NHGC does not expect any loss of customers due to last winter's extreme price spikes because the propane purchase stabilization plan insulated customers from the worst of those spikes.

Tr. At 9-10. Mr. Maloney testified that the Company may see more participation in its fixed price option as a result of last winter's price volatility, and that NHGC will consider raising the current \$0.02 premium for fixed price customers. Tr. at 10-11. Finally, Mr. Maloney testified that Commission Audit Staff had reviewed the 2013 summer season reconciliation and found it to be materially accurate. Tr. at 11.

In its closing Staff supported the Company's proposed rates. Tr. at 18. Staff noted that the Company's sales forecast and supply forecast were consistent with recent COG forecasts, and that actual 2014 summer season gas costs and revenues would be reconciled prior to the 2015 Cost of Gas proceeding. Tr. at 18.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2014 summer season COG rate as a just and reasonable rate pursuant to RSA 378:7. The rate appears to have been calculated in a manner consistent with past practices which offers assurances that it is proper. We note also that pursuant to *New Hampshire Gas Corp.*, Order No. 24,962 (April 30, 2009), the approved rate 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. The rate

may increase by no more than twenty-five percent of the approved rate. Thus, the monthly COG rate can be adjusted to reflect actual costs and revised cost projections throughout the period within that 25 percent cap.

Regarding the request for a waiver, Puc 1203.05 provides that 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* Puc 1203.05(c). 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 2014 season COG rate of \$1.6190 per therm for the period of May 1, 2014, through October 31, 2014, is **APPROVED**, effective for bills rendered on or after May 1, 2014; and it is

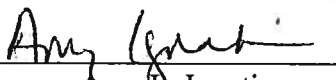
FURTHER ORDERED, that NHGC may, without further Commission action, adjust the COG rate based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rate; and it is

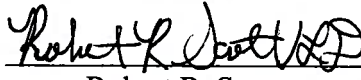
FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include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

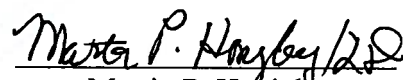
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted each month; and it is

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-fifth day of April, 2014.


 Amy D. Ignatius
 Chairman


 Robert R. Scott
 Commissioner


 Martin P. Honigberg
 Commissioner

Attested by:


 Debra A. Howland
 Executive Director