

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 14-077

NORTHERN UTILITIES, INC.

2014 Summer Season Cost of Gas

Order Approving Cost of Gas Rates

ORDER NO. 25,657

April 30, 2014

APPEARANCES: Susan S. Geiger, Esq., of Orr & Reno, P.A., on behalf of Northern Utilities, Inc.; Susan Chamberlin, Esq., of the Office of the Consumer Advocate, on behalf of residential ratepayers; and Michael J. Sheehan, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Northern's 2014 summer cost of gas rates including a residential rate of \$0.6833 per therm. The new cost of gas rate will cause a typical residential customer's bill to increase \$16.50 over the course of the six month 2014 summer period compared to last summer.

I. PROCEDURAL HISTORY

Northern Utilities, Inc. (Northern), is a public utility distributing natural gas in the southeastern and seacoast areas of New Hampshire. On March 17, 2014, Northern filed proposed rate adjustments pursuant to the cost of gas (COG) clause in its tariff for the period May 1, 2014, through October 31, 2014.¹ See Hearing Exhibit 1, Tariff pages at Superseding

¹ Northern filed certain schedules subject to a request for confidential treatment pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), 201.06(a)(26), and 201.07. Puc 201.06(b) defers a determination regarding confidentiality until such time as the Commission receives a request for release of those documents. The confidential version of Northern's filing was marked as hearing Exhibit 2. The redacted public version was marked as hearing Exhibit 1. References in this order will be to Exhibit 1, although Exhibit 2 is identical except for the redactions.

Second Revised Pages 2-3. The filing included the direct testimony and supporting schedules of Christopher A. Kahl and Joseph F. Conneely for Unitil Service Corporation, a Northern affiliate.

The Commission issued an order of notice scheduling a hearing for April 24, 2014. The Office of the Consumer Advocate (OCA) notified the Commission of its participation on behalf of residential ratepayers pursuant to RSA 363:28. The hearing was held as scheduled. There were no intervenors.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

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

Pursuant to the COG clause in its tariff, Northern may adjust its firm gas sales rates every six months to recover the costs of gas supplies and capacity. For the summer 2014 period, Northern's proposed average COG rate, the rate paid by residential customers, was calculated by adding the anticipated direct costs of \$4,086,126 to the anticipated indirect costs of \$401,483. This total was divided by the projected summer sales volume of 6,566,792 therms to obtain the average COG rate.

Direct costs are those relating to pipeline transportation capacity, storage capacity, and commodity charges. Indirect costs include working capital, bad debt, and overhead charges. These costs are subject to certain adjustments including prior period over- or under-collections, interest, and fuel financing costs.

Northern proposed a 2014 summer season residential COG rate of \$0.6833 per therm, which is \$0.1072 per therm higher than the weighted average 2013 summer season rate of \$0.5761 per therm. Ex. 1, Prefiled Testimony of J. Conneely at 3. Under the proposed rate, the

typical residential heating customer's summer gas costs would increase by approximately \$16.50 or 7.18 percent compared to the average COG rate for the 2013 summer season. Ex. 1, Schedule 8 at Bates p. 103; Transcript of April 24, 2014, Public Hearing (Tr.) at 11. Northern assumed that a typical residential customer will use 135 therms over the summer COG period. Ex. 1, Conneely Testimony at 4; Tr. at 12-13. Northern's proposed commercial and industrial (C&I) COG rates for the 2014 summer season are \$0.6318 per therm for low winter use and \$0.7209 per therm for high winter use. These increases in the C&I rates are comparable to the increase in the residential COG rate.

In *Northern Utilities, Inc.*, Order No. 25,653 (Apr. 21, 2014), the commission approved a general increase in Northern's rates, effective May 1, 2014. Mr. Conneely testified to the combined impact of the proposed 2014 COG rate increase in this proceeding and the increase approved in Order No. 25,653. The combined increases will cause a typical residential customer to pay \$60.61 or 26 percent more over the course of the 2014 summer period. Tr. at 12; Ex. 1, Schedule 8 at Bates p. 108.

2. Reasons for the Increase in the COG Rates

Mr. Kahl testified that the increase in COG rates is due to a larger under-collection in 2013 and substantial off-system sales in 2013 which are not projected for 2014. Ex. 1, Prefiled Testimony of C. Kahl at 19.

B. OCA

The OCA stated that it had no objection to Northern's COG rates as presented to the Commission. Tr. at 27.

C. Staff

In its closing statement, Commission Staff (Staff) noted that the Commission Audit Division confirmed the accuracy of the Northern’s 2013 summer COG reconciliation. Staff found the demand forecast and supply plan to be reasonable and consistent with prior years. Staff supported Liberty’s proposed 2014 summer COG rates. Tr. at 27-28.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the proposed 2014 summer season COG rates as just and reasonable pursuant to RSA 378:7. Pursuant to *Northern Utilities*, Order No. 24,961 (April 30, 2009), Northern may adjust the approved rates each month without further Commission action to eliminate or reduce projected over or under recoveries, although the increases are limited to no more than 25 percent of the approved rates. These adjustments are to reflect actual costs and revised cost projections throughout the period.

Based upon the foregoing, it is hereby

ORDERED, that Northern’s proposed 2014 summer season COG rates for the period May 1, 2014, through October 31, 2014, are **APPROVED** as set forth in this Order, effective for service rendered on or after May 1, 2014, as follows:

	Cost of Gas	Maximum COG
Residential	\$0.6833	\$0.8541
C&I, low winter use	\$0.6318	\$0.7898
C&I, high winter use	\$0.7209	\$0.9011

and it is

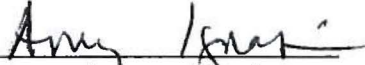
FURTHER ORDERED, that Northern may, without further Commission action, adjust the COG rates based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation 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 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 prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted each; 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, 2014.

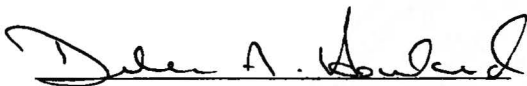


Amy L. Ignatius
Chairman



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director