

New Hampshire Gas Corporation

**Petition to Increase Non-FPO Cost of Gas Rate above the
Maximum Rate Currently Approved by the Commission**

**Docket DG 13-261
Winter 2013-2014 Cost of Gas**

Testimony of Brian R. Maloney

1 **Q. Please state your name, employer and business address.**

2 A. My name is Brian R. Maloney. I am employed by Rochester Gas and Electric
3 Corporation (“RG&E”) and my business address is 89 East Avenue, Rochester,
4 NY 14649. RG&E provides affiliate services to New Hampshire Gas Corporation
5 (the “Company”).

6
7 **Q. Have you provided previous testimony in Docket DG 13-261?**

8 A. Yes, I provided testimony for the Winter Period 2013-2014 cost of gas rate
9 proceeding. The rates were approved in Commission Order 25,588 dated October
10 29, 2013.

11
12 **Q. What is the purpose of this Petition?**

13 A. The Company is filing this Petition to request approval to increase the Non-FPO
14 cost of gas rate beyond the maximum rate currently approved by the Commission.
15 Without an increase above the currently approved maximum rate, the Company’s
16 under-collection of purchased propane costs is forecasted to exceed \$180,000 for
17 the Winter 2013-2014 period.

18
19 **Q. Why is it necessary to increase the Non-FPO rate beyond the currently
20 approved maximum rate?**

21 A. The Company’s spot market purchase prices have increased dramatically from a
22 forecasted level of approximately \$1.50 per gallon for January and February to

1 the most recent spot price paid of \$2.90 per gallon. The spike in prices has
2 resulted principally from the following factors:

- 3 1. A late and unusually wet (but abundant) harvest in the Upper Midwest this
4 past Fall created high propane demand for crop drying and a resulting
5 decrease in inventory injections for the winter.
- 6 2. Supply was impacted for most of December by the shutdown of a major
7 pipeline from Alberta through the northern Midwestern states.
- 8 3. An early and brutally cold winter has raised demand well beyond typical
9 levels.

10

11 **Q. Is there a propane shortage in the United States?**

12 A. It has been reported that the U.S. (and Canada) has an adequate supply of
13 propane, and that the regional market disruptions have resulted from difficulties in
14 moving that propane into the Midwest and Northeast quickly enough. In an
15 attempt to at least partly alleviate this situation, the U.S. Department of
16 Transportation has taken the rare step of issuing an emergency order suspending
17 the limits on the amount of time truck drivers can spend on the road in 10
18 Midwestern states and 12 Northeastern states.

19

20 **Q. What would be the impact of keeping the Non-FPO cost of gas rate at the
21 currently approved maximum rate for the remainder of the Winter period?**

22 A. The resulting under-collection of \$187,562 (Schedule A, line 17) would be carried
23 forward (with interest) and incorporated into the cost of gas rate for the Winter
24 2014-2015 period. Given the Company's winter sales volumes of 1.1 million
25 therms, the cost of gas rate next winter would need to be increased by 17 cents to
26 recover this under-collection. A rate impact of this magnitude next winter would
27 place the Company at a competitive disadvantage against other retail propane
28 suppliers in the service area, who have already raised prices to fully recover their
29 costs on a current basis.

30

1 **Q. Why is an under-collection for Winter 2013-2014 of approximately \$60,000**
2 **being targeted, per Schedule A, line 18?**

3 A The Company is proposing to recover only two-thirds of the forecasted under-
4 collection calculated on Schedule A, line 17, to partially alleviate the customer
5 bill impact of this winter's extremely volatile propane market. The other one-
6 third of the under-collection would be recovered next winter when the propane
7 market is expected to return to levels that are more normal. The Company has
8 determined that the rate impact next winter from an under-collection at this level
9 is acceptable from a competitive perspective.

10

11 **Q. How reliable is the Company's forecast of spot market purchase prices on**
12 **Schedule C, column 8, of \$2.75 and \$2.25 per gallon in February and March**
13 **respectively?**

14 A. The propane market's current volatility makes any such forecasts highly
15 uncertain. For this reason, the Company is requesting the ability to adjust the
16 calculated Non-FPO cost of gas rate for March 1 of \$2.5355 per therm (as
17 specified on Schedule A, line 23) either up or down within certain parameters in a
18 final cost of gas rate calculation five business days prior to March 1. This would
19 allow the March 1 rate to incorporate 1) actual spot purchase prices for most of
20 February, 2) actual spot purchase volumes for February (which are significantly
21 dependant on weather conditions), and 3) possibly more reliable spot purchase
22 price forecasts for March and April.

23

24 **Q. What is the impact of the forecasted Non-FPO cost of gas rate on the typical**
25 **residential heat and hot water customer in the Winter 2013-2014 period?**

26 A. As shown on Schedule F, lines 30 and 31, column 7, the typical residential heat
27 and hot water Non-FPO customer is projected to see an increase of \$332.00 or
28 41.1% in the gas component of their bills compared to the prior winter period.
29 When the monthly customer charge, therm delivery charge and deferred revenue
30 surcharge are factored into the analysis, the typical customer would see a total bill
31 increase of \$326.67 or 21.8%, as shown on lines 33 and 34.

1

2 **Q. Does this conclude your testimony?**

3 **A. Yes, it does.**