

Northern Utilities, Inc.
2015 Summer Cost of Gas, Phase 2
DG15-090
Staff Set 1 to Global/Sprague

Date Request Received: 05/20/15

Date of Response: 05/28/15

Request No. Staff-SPR 1-3 Witness: Mark A. Roberts, Managing Director, Sprague

REQUEST:

Ref. Roberts testimony at page 4, lines 1-7. Regarding the PNGTS rate increases related to the refunds and charged to Sprague and its NH customers served through Northern:

- a. On what date(s) was the PNGTS rate increase(s) related to the overbilling and refund effective?
- b. The number of Sprague NH customers being served through Northern at the time of increase(s)?
- c. On what date was the PNGTS rate decrease effective?
- d. The number of Sprague NH customers being service through Northern at the time of the decrease?
- e. As of the date of the decrease, please provide the following information:
 - i. Number of customers on a variable rate contract
 - ii. Number of customers on a fixed contract with less than 1 year remaining
 - iii. Number of customers on a fixed contract with less than 2 years remaining
 - iv. Number of customers on a fixed contract with less than 3 years remaining
 - v. Number of customers on a fixed contract with more than 3 years remaining.

RESPONSE:

As previously discussed with Staff, the phrase in the question, “and its NH customers served through Northern,” does not reflect the real, every-day workings of the retail competitive natural gas market. The PNGTS rate increase was charged directly to Sprague by Northern, dollar for dollar, through monthly billings of “company-managed” service under New Hampshire’s retail access program. Sprague may have collected it in whole or in part from Sprague’s New Hampshire customers, or it may not have. There are many, many inputs to

the determination of a contract price for natural gas. See Sprague's responses to Staff-SPR 1-5 and NU-SPR 1-1. In addition, based on its own proprietary risk analyses and the terms of individual contracts with customers, Sprague will forgo charging such increases directly to customers. Likewise, they may also not pass through refunds. Sprague does not price contracts on cost; they price on value.

a. Sprague's records reflect that PNGTS began billing the rate increase to Sprague December 2010. Other than Northern's monthly invoice reconciliation, Sprague received no actual notice of the billing changes related to the costs of Northern's "company-managed" service.

b. **Provided under confidential treatment and request for protective order.** Sprague NH customers being served through Northern at time of increase: [REDACTED]

c. The decrease, or the entitlement to refund, was effective February 1, 2015. The portion of the PNGTS overcollection related to service that was "company-managed" was refunded directly to Northern, and this is the amount for which Sprague is seeking a refund. By contrast, PNGTS paid directly to Sprague, the replacement shipper, the overcollection associated with the portion of service that Sprague took through the release of Northern's firm interstate pipeline capacity under the New Hampshire retail access program.

d. **Provided under confidential treatment and request for protective order.** Sprague NH customers being served through Northern at time of decrease: [REDACTED]

e. **Provided under confidential treatment and request for protective order.** Sprague does not maintain its records in this manner and a review of every contract was time consuming, but in an effort to address Staff's questions, Sprague undertook the inquiry and provides this information based both on the date of the increase and the date of the decrease. (Please note, a variable rate contract may mean many different things (may be variable based on its index or its settlement rate). A fixed rate can reflect many different types of products than are reflected by the question.)

- i. Increase: [REDACTED]; decrease [REDACTED] [REDACTED]
- ii. Increase: [REDACTED]; decrease [REDACTED] [REDACTED]
- iii. Increase: [REDACTED]; decrease [REDACTED] [REDACTED]
- iv. Increase: [REDACTED]; decrease [REDACTED] [REDACTED]
- v. Increase: [REDACTED]; decrease [REDACTED] [REDACTED]

It should be noted that the fact that Sprague itself paid a higher rate than the lawful rate for interstate pipeline demand during 2010, 2011, 2012, 2013 and 2014 forms the basis of its request to the NHPUC. The amounts it paid (which are set out in Northern's billings on a monthly basis to Sprague) contributed to the overcollection that Northern received. Those amounts Sprague paid in excess of the lawful rate should be returned directly to it.