

DG 04-050

NEW HAMPSHIRE GAS CORPORATION

2004 Summer Cost of Gas

**Order Approving the Cost of Gas and
Rate Case Expense Surcharge**

ORDER NO. 24,316

April 30, 2004

APPEARANCES: Ransmeier & Spellman by Dom S. D'Ambruoso, Esq., on behalf of New Hampshire Gas Corporation; and Marcia A.B. Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 26, 2004, New Hampshire Gas Corporation (NHGC), a public utility engaged in the business of distributing gas in Keene, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) rate for the period May 1, 2004 through October 31, 2004. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Karen L. Zink, General Manager for Berkshire Gas Company and Treasurer for NHGC.

The Commission issued an Order of Notice on March 29, 2004, setting a hearing for April 26, 2004. There were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on April 26, 2004, at which time a revised COG filing was submitted.

II. POSITIONS OF THE PARTIES AND STAFF

A. New Hampshire Gas Corporation

NHGC witness Karen L. Zink, Treasurer, testified as to the following issues: 1) calculation of the COG rate and the impact on customer bills; 2) reasons contributing to the

decreased rate; 3) gas supply purchasing policies; 4) rate changes on a bills-rendered basis; and 5) change in the rate case expense surcharge.

1. Calculation of the COG Rate and Customer Impact

The proposed 2004 Summer COG rate of \$0.8209 per therm was calculated by increasing the anticipated cost of gas of \$196,343 by a prior period under-collection of \$1,854 and deducting the balance of interest of \$321 collected on over- and under-collections, then dividing the resulting anticipated costs of \$197,877 by projected therm sales of 241,038.

NHGC's proposed 2004 Summer COG rate of \$0.8209 per therm represents a decrease of \$0.0085 per therm from the 2003 weighted average Summer COG rate of \$0.8294 per therm.

The proposed 2004 Summer COG rate was calculated by using the projected per unit cost of propane based on the futures prices posted on the New York Mercantile Exchange multiplied by anticipated demand. The calculation used the closing prices of April 23, 2004, for the months of May 2004 through October 2004, plus brokers' fees, pipeline transportation costs and trucking charges.

The impact of the proposed 2004 Summer COG rate is a decrease in the average residential heating and hot water customer's summer gas costs of \$2. Comparing the 2004 and 2003 summer rates, including the decrease in the Rate Case Expense surcharge and increase in the delivery rates (effective November 1, 2003), results in a 3% increase from last summer (\$473 compared to \$459).

2. Factors Contributing to the Decreased COG

The primary reason for the slight decrease in the summer COG rate is a decrease in the projected propane prices for this summer period compared to actual propane prices in the summer of 2003, which were almost entirely offset by an increase in trucking costs.

3. Gas Supply Purchasing

NHGC has not pre-purchased propane supplies to meet its projected demand for the 2004 summer period. NHGC stated that the current propane prices are high, in large part due to low storage inventories resulting from a harsh winter. It is NHGC's opinion that propane supplies are adequate and production sufficient to keep prices stable and that customer exposure to price spikes this summer is negligible.

4. Rate Changes on a Bills-Rendered Basis

NHGC made an oral request for a waiver, pursuant to Puc 201.05, of N.H. Admin. Code Rule, Puc 1203.05, which requires rate changes to be implemented on a service-rendered basis, to enable NHGC to bill the new rates on a bills-rendered basis.

Ms. Zink testified that it would be less confusing to NHGC customers who are accustomed to being billed on a bills-rendered basis, and that the current NHGC billing system would have to be replaced, at a substantial cost, to allow for service-rendered billing. Ms. Zink also noted that the changes in the delivery rates are implemented on a bills rendered basis, as approved by the Commission. *New Hampshire Gas Corporation*, Order No. 24,102, 87 NH PUC 859 (2002).

5. Rate Case Expense Surcharge

In NHGC's petition for a rate increase, NHGC's request for recoupment of rate case expenses was approved. *New Hampshire Gas Corporation*, 87 NH PUC at 863. Rate case expenses to be recovered over a two-year period through a Rate Case Expense surcharge effective beginning January 1, 2003. A reconciliation of the actual and projected rate case expenses and revenues collected through April 30, 2004 indicates an outstanding balance of

\$6,925 remains to be recovered over the next eight months. Based on projected sales for that period, NHGC proposed a Rate Case Expense surcharge of \$0.0161 per therm.

B. Staff

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate, noting that fuel purchasing for the period is consistent with prior periods and that the 2004 Summer gas costs would be reconciled and reviewed during NHGC's 2005 Summer period COG proceeding. Staff also recommended approval of the proposed Rate Case Expense surcharge and did not oppose NHGC's request to implement rates on a bills-rendered basis based on the reasons provided by NHGC.

III. COMMISSION ANALYSIS

After review of the record in this docket, we find that NHGC's proposed COG rate and Rate Case Expense surcharge will result in just and reasonable rates. Accordingly, we accept and approve NHGC's proposed 2004 Summer COG rate and Rate Case Expense surcharge.

We note NHGC's purchasing policies are consistent with past practice. We expect NHGC to continue monitoring the propane markets and propose changes in purchasing strategies and pricing services if market conditions so merit.

N.H. Admin. Code Rule Puc 1203.05 provides in general that rate changes must be implemented on a service-rendered basis. Subsection (c) of the rule specifically contemplates waivers of this requirement in appropriate circumstances, and requires utilities seeking to implement rate changes on a bills-rendered basis to address such issues as potential customer confusion, implementation costs, the matching of revenue with expenses and the objective of adequate customer notice. In that regard, NHGC asserted that its customers would be less

confused by being billed on a bills rendered basis and that NHGC's current billing system would have to be replaced, at a substantial cost, to allow for service-rendered billing. We find these contentions persuasive and, accordingly, grant NHGC's request for a waiver of the requirement that rate changes be implemented on a service-rendered basis.

The Rate Case Expense surcharge is recovered through revenues derived from therm sales. The outstanding balance NHGC seeks to recover over the remaining term of the surcharge has changed and necessitates a revision to the surcharge to avoid a potential over-recovery of the approved rate case expenses. Therefore, we approve the proposed Rate Case Expense surcharge and will require NHGC to provide reconciliation at the end of the summer period, to be submitted with its COG filings, and to file a revised surcharge if merited.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed Summer COG rate of \$0.8209 per therm for the period May 1, 2004 through October 31, 2004 is APPROVED effective for bills rendered on or after May 1, 2004; and it is

FURTHER ORDERED, that NHGC's proposed Rate Case Expense surcharge of \$0.0161 per therm for the period May 1, 2004 through October 31, 2004 is APPROVED effective for bills rendered on or after May 1, 2004; and it is

FURTHER ORDERED, that NHGC will reconcile the approved rate case expenses and revenues at the end of the 2004 summer COG period and file the reconciliation schedule in its 2004/05 winter COG filing; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the approved Summer COG rate of \$0.8209 per therm upward or downward monthly based on NHGC's calculation of the projected over or under collection for the period, but the

cumulative adjustments shall not vary more than twenty percent (20%) from the approved unit cost of gas; and it is

FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over or under calculation, 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 24 - Calculation of Cost of Gas and revised rate schedules 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 in the *Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

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

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2004.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary