

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 07-104**

**NEW HAMPSHIRE GAS CORPORATION**

**2007-2008 Winter Cost of Gas**

**Order Regarding Cost of Gas Rates**

**ORDER NO. 24,799**

**October 31, 2007**

**APPEARANCES:** Meabh Purcell, Esq. of Dewey & LeBoeuf LLP, on behalf of New Hampshire Gas Corporation and F. Anne Ross, Esq., for the Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

On September 21, 2007, New Hampshire Gas Corporation (NHGC), a public utility that distributes propane air gas in Keene, filed its proposed cost of gas (COG) rate and fixed price option (FPO) rate for the period November 1, 2007 through April 30, 2008. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Jennifer M. Boucher, Manager of Regulatory Economics for Berkshire Gas Company (Berkshire). NHGC is an affiliate of Berkshire, which provides certain management services to NHGC. An order of notice was issued on September 25, 2007, scheduling a hearing for October 17, 2007. On October 9, 2007, NHGC filed a motion requesting confidential treatment of a data response regarding supplier pricing, contract quantity and cost information. On October 17, 2007, NHGC submitted a revised COG filing at the hearing. There were no intervenors in this docket.

## II. POSITIONS OF THE PARTIES AND STAFF

### A. NHGC

NHGC witnesses Boucher and David Grande, General Manager of NHGC, addressed the following issues: (1) calculation of the COG rate and the impact on customer bills; (2) the FPO rate; (3) reasons for the increased rates; (4) gas supply purchasing policies; (5) supply reliability; (6) unaccounted-for gas losses; and (7) implementing rates on a bills-rendered basis.

#### 1. Calculation of the COG Rate and Customer Impact of Rate Increases

The proposed 2007-2008 winter COG rate of \$1.5811 per therm, as revised, was calculated by decreasing the anticipated cost of gas of \$1,739,446 by a prior period over-collection and related interest of \$91,067, such that the total anticipated cost is \$1,648,379. Next, the anticipated FPO cost of gas was determined by multiplying the proposed FPO rate of \$1.5212 per therm by the estimated FPO volume of 200,000 therms, and the resulting product of \$304,240 is then subtracted from the total anticipated cost of gas. Finally, the proposed COG rate was determined by dividing the remaining costs to be recovered, \$1,344,139, by projected winter gas sales of 850,128 therms. The proposed COG rate represents an increase of \$0.0412 per therm over the 2006-2007 average winter COG rate of \$1.5399 per therm.

A deferred revenue surcharge was originally established in *New Hampshire Gas Corp.*, 87 NH PUC 859 (2002), and most recently approved in *New Hampshire Gas Corp.*, Order No. 24,617 (April 28, 2007). The proposed deferred revenue surcharge of \$0.047 per therm was calculated based on eighteen months of actual and eighteen months of proposed recoveries, which represents a \$0.0025 per therm decrease from the surcharge that went into effect on May 1, 2007. Taking into account the proposed COG rate and the deferred revenue surcharge, the net

combined bill increase for a typical residential heating customer would be \$32, or a 1.4 percent increase over last winter.

## **2. Fixed Price Option Program**

In *New Hampshire Gas Corp.*, 90 NH PUC 400 (2005), the Commission approved a revised FPO program for NHGC. Based on the approved FPO rate calculation method, the FPO rate is set \$0.02 per therm above the proposed COG rate filed with the Commission on or before October 1. The 2007/2008 winter FPO rate is set at \$1.5212 per therm, which is a \$0.0471 increase from the 2006/2007 winter FPO rate of \$1.4741 per therm. The FPO customer enrollment period ended October 19, 2007, and as of that date FPO customers had subscribed for approximately 25 percent of the total volumes for the 2007/2008 winter period.

## **3. Reasons for the Increase in Rates**

Ms. Boucher explained that the gas costs for the upcoming winter period are projected to be higher than those paid last winter because propane prices dropped sharply last winter, starting in February, as a result of warmer-than-normal weather. Ms. Boucher noted that propane prices for this winter increased significantly in recent weeks, tracking similar increases in oil prices.

## **4. Gas Supply Purchasing Policies**

Ms. Boucher testified that NHGC has implemented its propane purchasing stabilization plan as approved in *New Hampshire Gas Corp.*, Order 24,617 (2006). NHGC issued a request for proposals (RFP) to area propane suppliers and, based on the responses to those requests, it contracted with Texas Liquids for its pre-purchase propane supply volumes. Ms. Boucher testified that approximately 65 percent of the NHGC supply requirements for the winter period have been prepurchased. The premium for locking in those volumes was approximately 4 cents per gallon. Ms. Boucher further explained the weighted average cost of the prepurchased supply

is \$1.392 per gallon delivered and that the most recent market price of delivered propane supply was approximately \$1.58 per gallon.

### **5. Supply Reliability**

Ms. Boucher testified that although NHGC has contracted for delivery of propane volumes exclusively from the Selkirk Texas Eastern terminal (Selkirk) in New York, the utility's supplier, Texas Liquids, has assured NHGC that it has adequate ancillary sources that the Company can be served from, including Westfield, Massachusetts and Providence, Rhode Island in the event supply from Selkirk is interrupted. Ms. Boucher also testified that NHGC contracts for additional off-site storage from a Berkshire Gas Company facility located in Greenfield, Massachusetts.

### **6. Unaccounted-for Gas Losses**

Mr. Grande testified that NHGC has made significant progress since it implemented the action plan filed with Staff last year to address the high percentage of unaccounted-for gas on the NHGC system. Actions taken during the past year include: (1) leak prioritization, (2) meter change-outs, (3) customer billing cycle changes, and (4) a reduction in summer period system pressure. While the NHGC efforts to reduce unaccounted-for gas losses were ongoing, the Company reported that the percentage of unaccounted-for gas had dropped from 6.44 percent during the previous twelve-month period to 3.53 percent for the most recent twelve-month period. Mr. Grande updated the information he provided to the Commission during the summer 2007 COG hearing. He stated that the Company planned to install a turbine meter at the propane operations plant sometime in 2008, which is a delay from what he had previously expected. Ms. Boucher testified that the decrease in unaccounted for gas volumes over the most recent twelve-

month period translates into a COG rate reduction of approximately 4.8 cents per therm. The lower unaccounted for volumes are reflected in this COG forecast.

### **7. Rate Changes on a Bills-Rendered Basis**

NHGC requested that the Commission waive N.H. Code Admin. Rules Puc 1203.05(b), which requires that rate changes be implemented on a service-rendered basis, noting that the Commission has granted the waiver in previous COG and delivery rate proceedings. Ms. Boucher 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.

#### **B. Staff**

Staff supported the COG calculation employed by the Company that takes into account the FPO rate and anticipated revenues. Staff indicated that the tariff page should be modified to better reflect how the COG rate was calculated, noting that Staff would work with the Company in determining how best to achieve that prior to the compliance filing.

Staff commended NHGC for actions taken to reduce the unaccounted-for gas volumes during the past year. As NHGC has progressed through its action plan to reduce these unaccounted-for gas losses, it can now report significant improvement and NHGC customers are beginning to realize the benefit in reduced COG rates.

Staff recommended approval of NHGC's revised proposed COG rate for several reasons. The Commission Audit Staff reviewed the 2006/07 winter period reconciliation and found no exceptions. The NHGC sales forecast and supply planning are consistent with past practices and reflect recent growth on the system. Actual 2007/08 winter gas costs and revenues will be reconciled prior to the 2008/09 winter COG allowing any concerns that may arise to be

addressed in that proceeding. Finally, Staff 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 careful review of the record in this docket, we find that NHGC's proposed winter COG rate and FPO rate will result in just and reasonable rates as required by RSA 378:7. Accordingly, we approve such rates.

As has been stated in prior NHGC COG proceedings, the issue of lost and unaccounted-for gas is important, as customers pay for losses through the COG, and the cost of those losses can be substantial at today's prices. As a direct result of actions taken during the past year to reduce these losses, NHGC now sees a tangible reduction in its gas purchases and customers will benefit from a corresponding reduction in the COG rate for this winter. We encourage NHGC to continue its effort to reduce the percentage of unaccounted-for gas and to apprise the Commission of those efforts and the results of those efforts in future COG proceedings.

N.H. Code Admin. Rules Puc 1203.05 provides that, in general, rate changes must be implemented on a service-rendered basis. However, 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. As a result of prior Commission waivers of Puc 1203.05, NHGC customers are accustomed to rate changes on a bills-rendered basis and a change in that policy may result in customer confusion. In addition, the current billing system is not designed to accommodate billing on a service-rendered basis and such a change would necessitate

modifying or replacing the existing billing system at some cost to NHGC. Based upon these considerations, we grant NHGC's request for a waiver.

#### **IV. MOTION FOR PROTECTIVE ORDER**

Staff's data request 9(c) requested NHGC's cost benefit analysis of the responses to its RFP for its winter propane supplies and 9(d) requested a summary of the entire bid process. The Company moved that the pricing information contained in Attachments 9(c) and 9(d) be protected from public disclosure because this information provides specific pricing details concerning NHGC's negotiations with the bidders and the purchase of its propane supplies.

The Right-to-Know Law provides each citizen with the right to inspect all public records in the possession of the Commission. *See* RSA 91-A:4, I. The statute contains an exemption, invoked here, for "confidential, commercial, or financial information." RSA 91-A:5, IV. Our applicable rule, Puc 203.08, is designed to facilitate the implementation of the statute as it has been interpreted by the courts. In most cases, a balancing test is used to determine whether confidential treatment should be granted. *See, e.g., Union Leader Corp. v. New Hampshire Housing Fin. Auth.*, 142 N.H. 540, 553-554 (1997).

We note that no parties have objected to the motions for confidential treatment and that the information for which such treatment is sought is similar to information for which the Commission has granted confidential treatment in the past. In this case there is a possibility that the identification of suppliers and costs would make it difficult for NHGC to negotiate with other suppliers in the future. Conversely, public disclosure of this information would shed relatively little light on how the Commission discharges its responsibilities in COG proceedings. In balancing the interests for and against public disclosure of the information for which confidential treatment is sought, we find that the interests of NHGC, and its customers, in non-disclosure

outweigh the public's interest in obtaining access to the information. We therefore grant the motion for protective order. Consistent with our practice, the confidentiality provisions of this order will be subject to the on-going right of the Commission, on its own motion or on the motion of Staff, any party or any other member of the public, to reconsider in light of RSA 91-A, should circumstances so warrant.

**Based upon the foregoing, it is hereby**

**ORDERED**, NHGC's request for waiver of N.H. Code Admin. Rule Puc 1203.05 (b) is GRANTED; and it is

**FURTHER ORDERED**, that NHGC's proposed winter COG rate of \$1.5811 per therm and the FPO rate of \$1.5212 per therm for the period November 1, 2007 through April 30, 2008 are APPROVED effective for bills rendered on and after November 1, 2007; and it is

**FURTHER ORDERED**, that NHGC may, without further Commission action, adjust the approved winter COG rate of \$1.5811 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 20 percent from the approved unit COG; and it is

**FURTHER ORDERED**, that NHGC (1) 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 business days prior to the first day of the subsequent month, and (2) 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 accrue interest at the monthly prime lending rate as reported by *The Wall Street Journal*, with such rate 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 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. Code Admin. Rules Puc 1603.; and it is

**FURTHER ORDERED**, that NHGC motion for protective order, requesting confidential treatment of certain information contained in responses submitted to Staff in discovery, is GRANTED, provided however that the determination as to confidential treatment contained herein be subject to the ongoing authority of the Commission, on its own motion or on the motion of Staff, any party or any other person, to reconsider this order in light of RSA 91-A should circumstances so warrant.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2007.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Lori A. Normand  
Assistant Secretary