

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 08-045

NEW HAMPSHIRE GAS CORPORATION

Revised 2008 Summer Season Cost of Gas

Order Approving Revised Cost of Gas Rate

ORDER NO. 24,882

July 31, 2008

APPEARANCES: Meabh Purcell, Esq. of Dewey & LeBoeuf LLP, on behalf of New Hampshire Gas Corporation and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On June 20, 2008, New Hampshire Gas Corporation (NHGC or the Company), a public utility that distributes propane-air gas in Keene, filed a proposed revised cost of gas (COG) rate for the remainder of the summer season, August 1, 2008 through October 31, 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), an affiliate that provides the Company with management services. A supplemental order of notice was issued, and a hearing was held on June 20, 2008 as scheduled. There were no intervenors in this docket.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

NHGC addressed the calculation of the proposed revised COG rates and customer bill impacts as well as the reasons for the rate increases. The Company testified that the mid-course

increase was necessary because the Company was experiencing significant increases in propane gas commodity costs in recent months and the increases were expected to continue throughout the remainder of the period. In July the Company increased its initially approved COG rate to the maximum allowed by Order No. 24,850 (April 23, 2008) in the plus-or-minus 20 percent adjustment bandwidth. The proposed revised COG rate will reset the plus-or-minus adjustment bandwidth which will give the Company additional flexibility to avoid a potentially large under-collection for the period.

NHGC's filing proposes a revised 2008 summer season COG rate of \$2.8318 per therm. NHGC testified that this proposed revised rate is approximately 86 cents, or 44 percent, higher than the rate initially approved for the summer period, and about 46.5 cents higher than the rate in effect in July 2008. The proposed revised rate would result in a bill impact for a typical residential heating customer of about \$29 for the entire summer period. This represents about a 5.1 percent increase over the residential customer's total summer period bill assuming no additional COG rate changes would be made.

B. Staff

Staff recommended approval of the proposed revised 2008 summer season COG rate, noting that the economy is experiencing a period in which all energy costs are climbing much faster than forecast. Approving the increase would help to avoid the potential under-collection, which can lead to intergenerational inequities and carrying costs on unrecovered balances, according to Staff.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, and for the reasons stated by Staff in its recommendation, we approve the proposed revised 2008 summer season COG rate as a just and

reasonable rate pursuant to RSA 378:7. With the increases in the propane gas commodity prices, the Company's gas costs have increased to a point where revising the rates now and resetting the bandwidth for the remainder of the summer season is a preferable alternative to creating an under-collection to be paid off, with interest, next summer.

N.H. Code Admin. Rules Puc 1203.05 generally requires rate changes to be implemented on a service-rendered basis. Subsection (c) specifically contemplates waivers of this requirement in appropriate circumstances, and requires utilities such as NHGC 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, as it has in previous COG proceedings, 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 NHGC's contentions to be persuasive and, accordingly, we grant NHGC's request for a waiver, pursuant to Puc 201.05, of the requirement that rate changes be implemented on a service-rendered basis.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed revised 2008 summer season COG rate of \$2.8318 per therm for the period August 1, 2008 through October 31, 2008 is **APPROVED**, effective for bills rendered on or after August 1, 2008; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the approved COG rate 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 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 tariff pages to be filed under separate cover letter 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. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary