

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 09-168

NEW HAMPSHIRE GAS CORPORATION

Winter 2009-2010 Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 25,031

October 29, 2009

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

I. PROCEDURAL HISTORY

On September 16, 2009, New Hampshire Gas Corporation (NHGC or Company), a public utility distributing propane-air service to approximately 1,100 customers in Keene, filed its proposed cost of gas (COG) and fixed-price option (FPO) rates for the 2009-2010 winter period. NHGC's filing included the direct pre-filed testimony of Jennifer Boucher, manager of regulatory economics for Berkshire Gas Company (Berkshire), an affiliated company providing certain management services to NHGC. Additionally, NHGC requested a waiver of N.H. Code Admin. Rules Puc 1203.05, which requires rate changes to be implemented on a service-rendered basis. On September 18, 2009, the Commission issued an order of notice setting a hearing in the matter for October 22, 2009. On October 21, 2009, NHGC submitted an update to its original filing. No parties intervened in the docket and the hearing was held on October 22, 2009 as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

NHGC witness Boucher testified regarding: (1) the calculation of the proposed COG rate and resulting customer bill impacts; (2) the reasons for the change in COG rates; (3) gas supplies and supply reliability; and (4) the request for waiver of the rule requiring rate changes on a service-rendered basis.

1. Calculation of the COG Rate and Customer Bill Impacts

According to its updated filing, the Company's proposed winter 2009-2010 COG rate is \$1.3743 per therm, which was calculated by taking the total anticipated period costs of \$1,296,299 and subtracting the expected revenues from the FPO program of \$288,143, as described below. The remaining \$1,008,156 was then divided by the total projected firm gas sales of 733,562 therms. Total anticipated costs, in turn, are derived by adding the estimated total cost of the forecasted propane send out of \$1,255,082 to the prior period under-collection of \$38,839 and interest of \$2,378. The proposed rate represents a decrease of \$0.3604 per therm over the weighted average COG rate of \$1.7347 per therm last winter. For a typical residential heating customer, this rate would equal a decrease of about 21 percent in gas costs, and an overall decrease of \$156.69, or 6.3 percent, after factoring in customer and other charges.

As for the Company's FPO customers, the enrollment period for the FPO ended October 19, 2009. According to the Company, approximately 140 residential and 45 commercial and industrial (C&I) customers enrolled in the program, down slightly from last year. Transcript of October 21, 2009 Hearing (Tr.) at 9. Based upon the historical usage of the customers who subscribed, the Company expects FPO volumes to be about 215,000 therms. For the FPO,

NHGC proposes a rate of \$1.3402, a \$0.02 premium over the initially filed COG rate, as approved in *New Hampshire Gas Corp.*, Order No. 24,516 (Sept. 19, 2005). This price represents a decrease of \$0.9006 per therm over the FPO rate of \$2.2408 per therm last winter. As this price was that offered to FPO customers, and is the price upon which their enrollment contracts were based, it did not change when the Company submitted its updated COG filing. Tr. at 14-15. The expected revenues of \$288,143 from the FPO are derived by multiplying the expected usage of 215,000 therms by the proposed rate of \$1.3402 per therm. For a typical residential customer, this winter's FPO price represents a decrease of about 40% over last winter's gas costs. After factoring in the customer and other charges, a typical residential heating customer on the FPO is expected to experience a decrease of \$671.52, or 22.6%, from last winter's FPO.

2. Reasons for the Decrease

Ms. Boucher's pre-filed testimony indicated that the primary reason for the decrease for both FPO and non-FPO customers is the decrease in market prices for propane since last winter. *See* Hearing Exhibit 2, Direct Testimony of Jennifer Boucher at 6. NHGC based the spot prices for its propane on the ClearPort propane futures settlement prices as of October 19, 2009. *See* Hearing Exhibit 2, Direct Testimony of Jennifer Boucher at 5. According to the Company it now uses the ClearPort settlement prices because the New York Mercantile Exchange (NYMEX), upon which it had based its prices, ceased publishing propane futures on September 18, 2009. Tr. at 10. The ClearPort prices are, as the NYMEX prices were, sourced at the Mont Belvieu, Texas trading point. Tr. at 10. The Company stated that it would include printouts of the ClearPort prices in future COG filings. Tr. at 10-11.

3. Gas Supply and Supply Reliability

NHGC has also implemented its propane purchasing stabilization plan as approved in *New Hampshire Gas Corp.*, Order No. 24,617 (April 28, 2006). Under that plan, NHGC has hedged 650,000 gallons of propane at a weighted average cost of \$1.074 per gallon, or \$1.173 per therm. This represents a decrease of about \$0.86 per gallon, or about 45%, over last year's weighted average cost of pre-purchased propane. Tr. at 11. NHGC estimates that about 65% of its propane needs have been pre-purchased. Tr. at 11. As for transportation of its propane, NHGC notes that the forecasted trucking fee remains at \$0.0575 per gallon, while the pipeline fee has increased from \$0.0915 to \$0.1002 per gallon. The trucking fee is also subject to a surcharge based on the price of diesel fuel.

Also regarding supply reliability, NHGC stated that it is continuing to implement various measures to reduce its unaccounted-for volumes. NHGC specifically noted that it has been improving its unaccounted-for amounts by detecting and repairing leaks in its system and by lowering the operating pressures in the summer when gas usage is low. Tr. at 12-13. Additionally, the Company stated that it has run into an operational problem in its attempt to install a turbine meter at its propane plant. Tr. at 13. This planned meter installation will require further engineering study before implementation. Tr. at 13. Once it is installed the turbine meter is expected to provide another means to further reduce the Company's unaccounted-for gas losses. Tr. at 12-13. NHGC has, in recent years, lowered its losses from 6 to 7 percent to about 3.5 percent, which, it stated, is about average for gas utilities. Tr. at 13.

4. 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. Ms. Boucher, in her pre-filed testimony, 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. *See* Hearing Exhibit 2, Direct Testimony of Jennifer Boucher at 8.

B. Staff

Staff did not testify in this matter. Staff, in its closing, stated that it supported the Company's revised and updated COG and FPO rates as they are filed. Tr. at 16. Staff noted that the Commission's audit staff had reviewed the Company's reconciliation from last winter and found no exceptions and that the Company's forecast for the coming period was consistent with its past forecasts. Tr. at 16. Moreover, Staff noted that NHGC's supply plans appeared consistent with its prior practices and that its costs were based upon actual prices in the marketplace. Tr. at 16-17. Staff also noted that to the extent any issue was discovered relative to the Company's filing, it would be addressed in the next peak period COG filing. Tr. at 17.

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. We note that the decrease in COG rates for this period over last year will be of some benefit to customers in offsetting the proposed increase in delivery rates sought by NHGC in Docket No. DG 09-038.

As to NHGC's waiver request, N.H. Code Admin. Rules Puc 1203.05 provides that, in general, rate changes are to 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 issues such 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.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's 2009-2010 winter COG rate of \$1.3743 per therm and winter FPO rate of \$1.3402 per therm rates for the period November 1, 2009 through April 30, 2010 are **APPROVED**, effective November 1, 2009 on a bills-rendered basis; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the approved winter COG rate upward by 25 percent or downward so far as is necessary based upon its projected over- or under-collection, consistent with *New Hampshire Gas Corp.*, Order No. 24,962 (April 30, 2009); 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

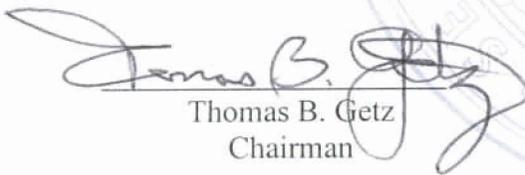
month and (2) include a revised tariff page 24 - Calculation of Cost of Gas and revised rate schedules if NHGC elects to adjust the COG rate; and it is

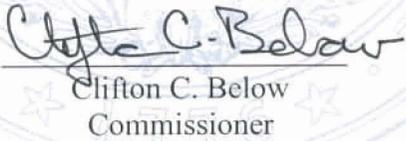
FURTHER ORDERED, that the over- or under-collection accrue interest at the monthly prime lending rate as reported by the *Wall Street Journal*, with such rate adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

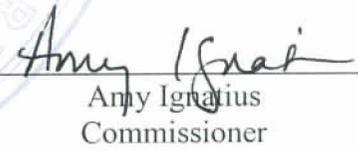
FURTHER ORDERED, that NHGC's request for waiver of N.H. Code Admin. Rule Puc 1203.05 (b) is GRANTED; and it is

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.

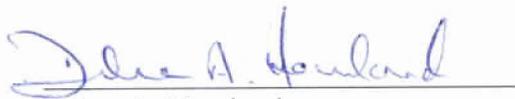
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of October, 2009.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director