

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: August 19, 2016

AT (OFFICE): NHPUC

NHPUC 19AUG'16PM12:34

FROM: Al-Azad Iqbal *azw*
Utility Analyst – Gas & Water Division

SUBJECT: DG 16-564 – Tariff Change for Annual Cost of Gas Filing

TO: Commissioners
Docket File
Service List

SUMMARY OF STAFF RECOMMENDATION

On June 15, 2016, Northern filed a proposal to revise Tariff pages amending the Cost of Gas Adjustment Clause to reflect its intention to file a single annual COG petition instead of two seasonal (Summer and Winter) COG petitions. Two seasonal, Winter and Summer, COG rates would be implemented by the new single-filing methodology. The Company stated that the changes will be administratively efficient because the new approach will avoid the need to compile and file repetitive information, and it will achieve regulatory efficiency without any substantial adverse impact on seasonal COG rates for customers.

Staff supports the proposal for making a single annual COG filing. The Office of Consumer Advocate concurs with Staff's position.

BACKGROUND

Currently, Northern files Winter Season and Summer Season COG rate petitions and corresponding reconciliations. Usually, the major part of COG rate analysis (*i.e.*, allocation of capacity cost, sales forecast, bad debt and balance charge calculation, short term debt limit, allocation among the classes, etc.) is performed for the whole year in the Winter season COG rate filing. In the Summer Season filing, commodity cost estimates are updated and any known adjustments of other costs (change in capacity cost, commission approved rate changes, etc.) are included to reflect the latest known information. The Summer Season filing provides the Commission an opportunity to review the updated information. During the Winter 2015-2016 Cost of Gas proceeding

(Docket DG 15-393) Staff and the Company discussed the single annual Cost of Gas filing concept¹ and agreed to work on this concept.

On June 15, 2016, Northern filed its proposal to amend its Cost of Gas Clause with the supporting Testimony of Mr. Christopher A. Kahl and corresponding tariff changes.

On July 15, 2016, the Commission suspended the proposed Northern tariff incorporating revisions to the Cost of Gas Adjustment Clause to enable further investigation of the proposed tariff provisions, and scheduled a Prehearing Conference for August 9, 2016. Staff propounded one set of data requests on July 27, 2016 and received the responses on August 5, 2016.

On August 18, 2016, Northern filed an updated version of the tariff pages addressing Staff's concerns.

COMPANY PROPOSAL

The proposed tariff revisions amend the Cost of Gas Clause to reduce the number of COG filings submitted by the Company while preserving the Commission's ability to review Northern's seasonal COG rates. As mentioned, there will be one annual COG petition requesting approval for Winter and Summer seasonal COG rates.

Mr. Kahl's testimony states that the proposed Annual COG filing methodology will be efficient in terms of use of resources by the Commission and the Company, and without any material adverse effect upon the COG rates paid by firm sales customers.

Mr. Kahl explained that other than NYMEX prices, the Summer Season COG filing is repetitive relative to the Winter Season COG filing. He stated that any variations in NYMEX prices that occur between the submittal of the Annual COG filing and when the Summer COG rates go into effect could be handled through the Company's ability, pursuant to the Tariff, to adjust monthly COG rates upward by up to 25% of the Commission's approved initial seasonal rates, or down by any amount.

The Company also proposed an annual reconciliation methodology instead of the current seasonal reconciliation. Mr. Kahl explained that this change would not have a material impact on Summer or Winter COG rates as the current Simplified Market Based Allocator methodology will remain in place. To minimize any potential impact, the Company proposed a Winter Season variance and a Summer Season expanded variance threshold. The 2% winter and 4% summer season variances would keep the seasonal COG reconciliation ending balance close to zero.

¹ Order 25,836 at 7.

STAFF REVIEW AND FINDINGS

Staff reviewed the petition and testimony of Mr. Kahl and attached Tariff pages. Staff conducted discovery, issued data requests, and participated in numerous telephone conversations with Mr. Kahl.

In response to a Staff data request (Staff 1-1), the Company reviewed the last five years of data and concluded that 25% threshold was sufficient to accommodate any potential variation, on the basis of historical data. In a case where the estimated projected costs would exceed revenues by more than 25% at some point during the COG year, the Company would submit an amended COG filing and COG rates for approval by the Commission in accordance with the Tariff.

STAFF RECOMMENDATION

Staff believes that the proposed changes are reasonable and achieve regulatory and resource efficiency without adversely impacting seasonal COG rates. Staff recommends that the Commission approve the changes as proposed by the Company, with the incorporation of the updated Tariff changes filed on August 18, 2016. Staff also recommends that the Commission issue an Order *Nisi* with an effective date in advance of Northern's COG filing (generally filed on September 15 of each year).

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
al-azad.iqbal@puc.nh.gov
alexander.speidel@puc.nh.gov
amanda.noonan@puc.nh.gov
epler@unitil.com
james.brennan@oca.nh.gov
margaret.raymond@puc.nh.gov
mark.naylor@puc.nh.gov
nicholas.cicale@oca.nh.gov
ocalitigation@oca.nh.gov
simmons@unitil.com
steve.frink@puc.nh.gov
taylorp@unitil.com

Docket #: 16-564-1 Printed: August 19, 2016

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**