

DG 00-027

NORTHERN UTILITIES, INC. - PELHAM DIVISION

1999/2000 Revised Winter Cost of Gas

Order Revising the Cost of Gas

O R D E R N O. 23,413

February 28, 2000

APPEARANCES: LeBoeuf, Lamb, Greene & MacRae, L.L.P., by Paul B. Dexter, Esq., on behalf of Northern Utilities, Inc. and Larry S. Eckhaus, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On February 7, 2000, Northern Utilities, Inc. - Pelham Division (Northern), a utility serving 18 commercial customers located in Pelham, New Hampshire and supplied by wholesale propane through one 19,000 gallon tank, filed with the New Hampshire Public Utilities Commission (Commission) modifications to its tariff providing for a revised Winter Cost of Gas (COG) rate for the period March 1, 2000 through April 30, 2000. The filing proposed a revised 1999/2000 Winter COG rate of \$0.9541 per therm and was accompanied by a cover letter and supporting schedules.

By Order of Notice issued February 7, 2000, the Commission scheduled the date of the hearing for February 23, 2000 and set deadlines for intervention requests and objections thereto. There were no Motions to Intervene filed.

A duly noticed hearing on the merits was held on February 23, 2000.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern's witness Marjorie H. Izzo, Manager of Rates Administration, addressed the following issues: 1) calculation of the COG rate and the impact on customer bills; and 2) reasons for filing a revised COG and factors contributing to the increased rate.

1. Calculation and Rate Impact of the Proposed COG Rate

The proposed revised 1999/2000 Winter COG rate of \$0.9541 per therm was calculated by updating the cost and sales projections used to establish the 1999/2000 Winter COG rate, approved in Commission Order No. 23,329 (October 29, 1999), to reflect actual gas costs, and gas cost revenues for the prior months and current cost projections for the remaining months (sales projections remain unchanged).

Northern's proposed revised 1999/2000 Winter COG rate of \$0.9541 per therm represents an increase of \$0.2354 per therm from the February COG rate of \$0.7187 per therm.

The Pelham Division is made up of eighteen (18) commercial customers and the proposed COG rate of \$0.9541 per therm will increase the monthly bill of a customer consuming 200 therms by

\$47.08 (or 22%).

2. Reasons for Revised COG Filing and Increased Rate

Since the September 14, 1999 COG filing on which the 1999/2000 Winter COG rates were based, there have been substantial increases in the actual and projected propane prices throughout the winter period. Due to those higher than anticipated propane prices, Northern has forecast an under collection of \$4,591, or approximately 10 percent, if rates remain unchanged. Northern is currently at the maximum allowed rate approved by the Commission for the period.

To avoid such a substantial under collection, Northern filed the proposed revised 1999/2000 Winter COG rate. Northern stated that a rate change at this time would be more reflective of the recent increases in propane prices as reflected in the current market.

B. Staff

At the hearing, Staff stated its support for the proposed revised 1999/2000 Winter COG rate of \$0.9541 per therm.

III. COMMISSION ANALYSIS

After reviewing the record, we conclude that the proposed revised 1999/2000 Winter COG rate of \$0.9541 per therm will result in just and reasonable rates and is hereby approved. The revised COG rate accurately reflects current market conditions and will avoid artificially inflated 2000/2001 winter COG rates by eliminating or

reducing the projected under collection for the current period, which would otherwise be carried forward for recovery through those rates.

Based upon the foregoing, it is hereby

ORDERED, that Northern's Twentieth Revised Page 33 Superseding Nineteenth Revised Page 33, N.H.P.U.C. tariff of Northern Utilities, Inc. - Pelham Division, providing for the revise Winter COG rate of \$0.9541 per therm for the period March 1, 2000 through April 30, 2000 is APPROVED effective for bills rendered on or after March 1, 2000; and it is

FURTHER ORDERED, that Northern may, without further Commission action, adjust the approved COG rate upward or downward monthly based on Northern's calculation of the projected over or under-collection for the period, but the cumulative adjustments shall not exceed ten percent (10%), or \$0.0954 per therm, of the approved unit cost of gas and can not change more than ten percent (10%) in any given month; and it is

FURTHER ORDERED, that Northern will 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. Northern shall include a revised tariff page 33 - Calculation of Cost of Gas and revised rate schedules if Northern elects to adjust the COG rate; and it is

FURTHER ORDERED, that the over or under-collection shall accrue interest at the Prime Rate reported in the *Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first date of the month preceding the first month of the quarter; and it is

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

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of February, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary