

DG 00-055

NORTHERN UTILITIES, INC. - PELHAM DIVISION

2000 Summer Period Cost of Gas Proceeding

Order Approving the Cost of Gas Rate

O R D E R N O. 23,445

April 26, 2000

APPEARANCES: Rubin & Rudman, L.L.P., by Frank Pozniak, 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 March 15, 2000, Northern Utilities, Inc. - Pelham Division (Northern), a utility serving 18 commercial customers with wholesale propane, located in Pelham, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) for the 2000 Summer period. The filing included a cover letter and supporting schedules.

An Order of Notice was issued on March 20, 2000. Northern informed customers of the impending rate change by publishing a copy of the Order of Notice in the *Foster's Daily Democrat*, *Portsmouth Herald* and *Eagle-Tribune* on March 23, 24 and 25, 2000, respectively.

On April 11, 2000, Northern filed a revised proposed COG. The revised filing updated the propane costs based on the most recent futures prices, decreasing the proposed Summer

COG rate to \$0.8640 per therm from the \$0.9597 per therm rate proposed in the original March 15, 2000 filing.

There were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on April 14, 2000.

II. POSITIONS OF THE PARTIES AND STAFF

Northern Utilities, Inc. - Pelham Division

Northern's witness Marjorie H. Izzo, Manager of Rate Administration, addressed the following issues:

- a) calculation of the COG rate and the impact on customer bills;
- b) factors contributing to the increased COG rate; and
- c) basis for the revised Conservation Charge.

A. Calculation and Rate Impact of the Proposed COG Rate

The proposed 2000 Summer COG rate of \$0.8640 per therm (allowing for monthly, cumulative adjustments at levels to produce COG rates not to exceed a maximum rate of \$0.9504 per therm and a minimum rate of \$0.7776 per therm) was calculated by increasing the anticipated cost of gas of \$15,522 by the prior period under-collection of \$1,329 and related interest of \$86 and dividing the resulting anticipated costs of \$16,937 by projected therm sales of 19,603.

Northern's proposed 2000 Summer COG rate of \$0.8640 per therm represents an increase of \$0.5439 per therm from the

1999 Summer COG rate of \$0.3201 per therm.

The Pelham Division is made up of eighteen (18) commercial customers and the proposed COG rate of \$0.8640 per therm will increase the monthly bill of a customer consuming 200 therms by \$108.78 (90%) compared to last summer's bill.

B. Factors Contributing to the Increased COG

The main reason for the dramatic increase in the COG for the summer period is the increase in the cost of propane. At this time last year, the cost of propane as quoted in the *Wall Street Journal* was \$0.2238 per gallon compared to \$0.5588 per gallon this year, an increase of over 150%. Also, rising propane prices last summer contributed to a 14% under-collection which is included for recovery in this summer's calculation of the COG rate.

C. Revised Conservation Charge

Northern requested a revised Conservation Charge to adjust for a projected over-collection in the Small Commercial Program.

Effective November 1, 1999, Northern's Demand Side Management (DSM) programs were suspended, although Commission Order No. 23,330 (October 23, 1999) approved Northern's proposed Conservation Charges designed to recover 'phase out' expenses, lost revenues and estimated over/under-collections.

Two energy efficiency projects in the small commercial program that Northern had budgeted for did not come to fruition and resulted in lower expenses. The reduction in the small commercial Conservation Charge is designed to reduce revenues accordingly.

II. STAFF

At the hearing, Staff stated its support for the proposed 2000 Summer COG rate of \$0.8640 per therm and revised Conservation Charge of (\$0.0017) per therm.

III. COMMISSION ANALYSIS

After reviewing the record, we conclude that the proposed 2000 Summer COG rate of \$0.8640 per therm and the Small Commercial Conservation Charge of (\$0.0017) per therm will result in just and reasonable rates, and, therefore, are hereby approved.

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 Summer COG rate of \$0.8640 per therm for the period May 1, 2000 through October 31, 2000 is APPROVED effective for bills rendered on or after May 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 \$0.0864 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, Northern's Eighth Revised Page 36, providing for a Small Commercial Conservation Charge of

(\$0.0017) per therm, to recover costs related to Northern's DSM Program, is APPROVED, effective for bills rendered on or after May 1, 2000; 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-sixth day of April, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary