

DG 02-168

NORTHERN UTILITIES, INC - PELHAM DIVISION

2002/2003 Winter Cost of Gas

Order Approving Cost of Gas Rate

O R D E R N O. 24,077

October 28, 2002

APPEARANCES: Rubin & Rudman, L.L.P., by Maribeth Ladd, Esq., on behalf of Northern Utilities, Inc. and Marcia A.B. Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 16, 2002, Northern Utilities, Inc. - Pelham Division (Northern), a utility serving 18 commercial customers located in Pelham, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) rate for the period November 1, 2002 through April 30, 2003 for effect November 1, 2002. The filing included testimony and supporting schedules. The proposed 2002/2003 Winter COG rate is \$0.7864 per therm.

By Order of Notice issued September 20, 2002, the Commission scheduled a hearing for October 16, 2002 and set deadlines for intervention requests and objections thereto. No Motions to Intervene were filed.

A duly noticed hearing on the merits was held on October 16, 2002.

II. POSITIONS OF THE PARTIES AND STAFF**A. Northern**

Northern's Pelham Division consists of 18 customers who are supplied wholesale propane through one 19,000 gallon tank. Northern's witness Joseph A. Ferro, Manager of Regulatory Policy, addressed the following issues: 1) calculation of the COG rate and the impact on customer bills; 2) factors contributing to the increased rate; and 3) plans to sell the system with minimal impact on the existing customers.

1. Calculation and Rate Impact

The proposed 2002/2003 Winter COG rate of \$0.7864 per therm was calculated by increasing the anticipated cost of gas of \$39,326 by the prior period under-collection of \$6,740 and related interest of \$240 and dividing the resulting anticipated costs of \$46,305 by projected therm sales of 58,880. (Hearing Transcript of 10/16/02 (10/16/02 Tr.) at 6 lines 13-22).

Northern's proposed 2002/2003 Winter COG rate of \$0.7864 per therm represents an increase of \$0.2574 per therm from the 2001/2002 average weighted Winter COG rate of \$0.5290 per therm.

Assuming a monthly usage of 200 therms, the proposed COG rate of \$0.7864 per therm will increase the monthly bill by \$23.66, or 12.08 percent, compared to last winter's bill. (Exh. 1 at 14) (10/16/02 Tr. at 7 lines 23-24).

2. Factors Contributing to the Decreased COG Rate

Northern's prefiled testimony stated the decrease in the proposed COG rate as compared to last winter's rate can be primarily attributed to the slight change in propane prices from last winter to this winter. (Exh. 1 at 4 lines 18-19). Both the current and projected costs of propane are higher this year than the costs paid last winter.

3. Plans to Sell the Pelham System

In Order No. 23,958 (April 30, 2002), approving the Northern - Pelham Division 2002 Summer Cost of Gas, the Commission directed the Company to work towards developing a plan to allow for service to the Pelham propane system which would no longer be subject to Commission regulation. The directive came about as a result of Staff and Northern recognizing that natural gas service cannot be economically provided to Pelham and that the existing propane service was not intended to be subject to Commission regulation indefinitely.

Northern testified they intend to notify the Pelham customers of its plans to discontinue service to the plaza and

sell its facilities, which would result in service being provided by an unregulated propane supplier. (10/16/02 Tr. at 9 lines 6-20). Northern will first offer the system to the Pelham plaza property owner, and in the event that the owner is not interested in purchasing the facilities, then Northern will seek bids from independent propane suppliers to purchase the facilities and provide service to the plaza. (10/16/02 Tr. 9-10 lines 21-1).

Northern expressed concern that some of the customers and/or the owner may object to being switched from regulated to unregulated service, that the sale may be complex and require both time and resources, and that the unregulated price from a competitive supplier may be higher than what Northern currently charges. (10/16/02 Tr. at 11 lines 13-15).

Northern proposed to work with Staff in going forward with the plan and to reassess the feasibility of the plan as Northern attempts to implement it.

B. Staff

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate. Staff concurred with Northern's Motion for Protective Order and Confidential Treatment.

III. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that Northern's proposed COG rate will result in a just and reasonable rate pursuant to RSA 378:7. Accordingly, we accept and approve Northern's proposed 2002/2003 Winter COG rate.

We find Northern's proposed plan on how best to resolve the issue of discontinuing regulated propane service to the Pelham plaza to be reasonable. Accordingly, we direct Northern to continue working with Staff to further develop and implement a plan and to report the status and results in its Summer COG filing.

Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc. - Pelham Division's proposed Winter COG rate of \$0.7864 per therm for the period November 1, 2002 through April 30, 2003, is APPROVED, effective for service rendered on or after November 1, 2002; 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 that the cumulative adjustments shall not exceed twenty percent (20%), or \$0.1573 per therm, of the approved unit cost of gas; 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 40 - 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 October, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary