

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 13-261

NEW HAMPSHIRE GAS CORPORATION

Winter 2013-2014 Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 25,588

October 29, 2013

APPEARANCES: Meabh Purcell, Esq., of Holland & Knight LLP, for New Hampshire Gas Corporation; and Alexander F. Speidel, Esq. and Michael J. Sheehan, Esq. for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On September 19, 2013, New Hampshire Gas Corporation (NHGC), a public utility distributing propane-air gas service to approximately 1,100 customers in Keene, filed its proposed cost of gas (COG) and fixed-price option (FPO) rates for the 2013-2014 winter COG period. NHGC's filing included the pre-filed testimony of Brian R. Maloney, an employee of Rochester Gas and Electric Corporation, which provides management services to NHGC (Maloney Testimony). *See* Hearing Exhibit 1. NHGC also requested a waiver of N.H. Code Admin. Rules Puc 1203.05, which requires utilities to implement rate changes on a service-rendered basis, so that NHGC could implement the changes on a bills-rendered basis. The Commission issued an order of notice scheduling a hearing for October 21, 2013. No parties intervened in the docket, and the hearing was held on October 21, 2013, as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. NHGC

Mr. Maloney's testimony included: (1) the calculation of the proposed COG rate and resulting customer bill impacts; (2) the reasons for the change in COG rates; (3) NHGC's supplies and supply reliability; (4) NHGC's request to waive the rule requiring rate changes to be billed on a service-rendered basis; (5) the status of the deferred revenue surcharge arising from Order 25,039; and (6) a proposed change in the interest rate applied to over or under collections.

1. Calculation of the COG Rate and Customer Bill Impacts

The Company's proposed winter 2013-2014 (November through April) COG rate is \$1.6785 per therm. Maloney Testimony at 3. This rate is \$0.1783 per therm or 11.9 percent higher than last winter's weighted average COG rate of \$1.5002. *Id.* For a typical residential heating customer the proposed rate will cause an overall bill increase of \$90.59, or 6.0 percent, after factoring in other charges. Exhibit 1, Schedule K-2.

The proposed FPO rate is \$1.6985 per therm, which is calculated by adding a two cent premium to the COG rate. Maloney Testimony at 6. This represents an increase of \$0.1768 per therm or 11.6 percent over last winter's FPO rate of \$1.5217 per therm. Exhibit 1, Schedule K-1. For a typical FPO residential heating customer the proposed FPO rate will cause an overall bill increase of \$89.80, or 5.9 percent, after factoring in other charges. Exhibit 1, Schedule K-1. Approximately 10 percent of NHGC's customers had enrolled in the 2013-2014 FPO program through the date of the hearing.

2. Reasons for the Increase

Mr. Maloney testified that the rate increases are caused by a rise in the spot market purchase price to \$1.6165 per therm, compared to last year's actual rate of \$1.4333 per therm,

and inclusion of the prior year's under-collection. Maloney Testimony at 6. These increases were partially offset by a decrease in the Propane Purchasing Stabilization Plan (PPSP) contract rate, which fell from \$1.5013 per therm last year to \$1.4535 per therm this year. Maloney Testimony at 6-7.

3. Gas Supply and Supply Reliability

NHGC implemented its propane purchasing stabilization plan as approved in *New Hampshire Gas Corp.*, Order No. 24,617 (April 28, 2006), under which NHGC pre-purchased 700,000 gallons of propane at a weighted average delivered price of \$1.3300 per gallon, or \$1.4535 per therm. Exhibit 1, Schedule C. This represents 59 percent of NHGC's total projected winter propane requirements. *Id.*

Mr. Maloney testified that NHGC also contracted for the right to buy up to 50,000 gallons of propane from a nearby storage facility to enhance supply reliability. Maloney Testimony at 9.

4. Rate Changes on a Bills-Rendered Basis

NHGC asked that the Commission waive Puc 1203.05(b), which requires the company to implement rate changes on a service-rendered basis, so that NHGC could implement the proposed changes on a bills-rendered basis. Mr. Maloney testified that it would be less confusing to NHGC customers who are accustomed to the bills-rendered basis, and that NHGC's current billing system would have to be replaced at a substantial cost to allow for service-rendered billing.

5. Implementation of a Deferred Revenue Surcharge

In Docket No. DG 09-038, the Commission approved a substantial rate increase for NHGC, ordered that NHGC phase in the increase over three years (which resulted in an under-

collection over those first three years), and authorized NHGC to impose a deferred revenue surcharge over years four and five to recover the under-collection that accrued during those first three years while the new rates were phased-in. *New Hampshire Gas Corporation*, Order No. 25,039 (Oct. 30, 2009) at 3-4. NHGC seeks a deferred revenue surcharge for November 2013 through April 2014 of \$0.0617 per therm. The proposed 2013-2014 surcharge is lower than last year's surcharge of \$0.0716 per therm due to higher actual than forecasted sales. Exhibit 1, Appendix 4.

6. Interest Applied to Over or Under Collections

NHGC currently accrues interest on the over or under collection balance at a specified rate that adjusts quarterly. Maloney Testimony at 9-10. At Staff's suggestion, NHGC seeks approval to adjust that interest rate monthly using the prime lending rate reported by the Federal Reserve Statistical Release of Selected Interest Rates. Mr. Maloney testified that adjusting the interest rate monthly will better reflect market rates and is consistent with the practice of other regulated utilities in New Hampshire. Maloney Testimony at 10.

B. Staff

Staff stated that it supports NHGC's proposed 2013-2014 winter Cost of Gas rates. The sales forecast and supply plan for the 2013-2014 winter period are consistent with prior years and any discrepancy between forecasted and actual costs will be reconciled. Other concerns that may arise during the upcoming winter can be addressed in next year's COG. The Commission Audit Staff reviewed the 2012-2013 winter COG reconciliation and found no exceptions. Staff also recommended that the Commission approve use of a monthly prime interest rate, rather than the quarterly rate, to calculate carrying costs on monthly COG over or under collection balances.

Staff stated that the proposed change will more accurately reflect carrying costs and is consistent with the practice followed by other utilities in this state.

Finally, Staff reviewed the deferred revenue surcharge as calculated by NHGC and verified that the rate is accurate and complies with the approved terms of the settlement in the related proceeding, Docket No. DG 09-038.

III. COMMISSION ANALYSIS

Based on our review of the record we approve the proposed 2013-2014 winter period COG and FPO rates as just and reasonable rates pursuant to RSA 378:7. The rates appear to be calculated in a manner consistent with past practices and Staff's review did not reveal any deficiencies. We note that pursuant to *New Hampshire Gas Corp.*, Order No 24,962 (April 30, 2009), the approved rates may be adjusted monthly without further Commission action to eliminate or reduce over or under recoveries in a timely and efficient manner, although rate increases are limited to no more than 25 percent of the approved rates. Monthly COG rates can thus be adjusted to reflect actual costs and revised cost projections throughout the period while limiting rate increases.

We approve monthly adjustment of the interest rate applied to over or under collections, using the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates. Monthly adjustments will be more accurate and consistent with the practice of other New Hampshire utilities.

Finally, we address NHGC's request to waive Puc 1203.05, which requires that companies implement rate changes on a service-rendered basis. To obtain a waiver the NHGC must address, to the extent possible, such issues as potential customer confusion, implementation costs, the matching of revenue with expenses, and the objective of adequate customer notice.

See Puc 1203.05(c). NHGC asserted, as it has in previous COG proceedings, that its customers would be less confused by a change in rates instituted on a bills-rendered basis, and that its current billing system would have to be replaced at a substantial cost to allow for service-rendered billing. We find NHGC's argument to be persuasive and, accordingly, we grant NHGC's request for a waiver of the requirement that it implement the rate changes on a service-rendered basis pursuant to Puc 201.05.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's COG rate of \$1.6785 per therm and FPO COG rate of \$1.6985 per therm for the period November 1, 2013 through April 30, 2014 are APPROVED, effective November 1, 2013 on a bills-rendered basis, in accordance with the above; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the COG rates based upon the projected over or under collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

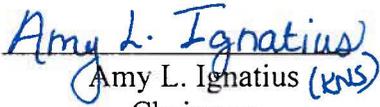
FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over or under collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 24, Calculation of the Cost of Gas, and other revised tariff pages if NHGC elects to adjust the COG rate; and it is

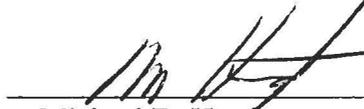
FURTHER ORDERED, that the over or under collection shall accrue interest at the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted each month; and it is

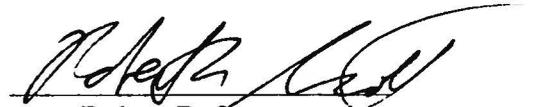
FURTHER ORDERED, that the Commission accepts the reduction in the deferred revenue surcharge for November 2013 through April 2014 at the new rate of \$0.0617 per therm; and it is

FURTHER ORDERED, that NHGC shall file properly annotated tariff pages in compliance with the Order no later than 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-ninth day of October, 2013.


Amy L. Ignatius (KNS)
Chairman


Michael D. Harrington
Commissioner


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director