

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

NEW HAMPSHIRE GAS CORPORATION) 2010-2011 Winter Period Cost of Gas) Adjustment)) DG 10-249
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PETITION OF NEW HAMPSHIRE GAS CORPORATION FOR AUTHORITY TO
SUSPEND ITS FIXED PRICE OPTION PROGRAM FOR WINTER 2010-2011

New Hampshire Gas Corporation (“NHGC”) respectfully petitions the New Hampshire Public Utilities Commission (“the Commission”) for approval, pursuant to R.S.A. Chapter 378 and Puc Rule 1600 *et seq*, to suspend the Fixed Price Option (“FPO”) program for the upcoming winter season (November 1, 2010 through April 30, 2011), as a result of a pipeline shutdown and embargo at the Selkirk, New York terminal of the Enterprise TE Products Pipeline Company LLC (“Enterprise TE”). In support of its petition, NHGC represents as follows:

1. NHGC provides propane air services to approximately 1,110 customers in Keene, New Hampshire. NHGC is a public utility regulated by the Commission. NHGC’s affiliate, The Berkshire Gas Company, provides affiliate services on rate and regulatory matters to NHGC pursuant to a Shared Services Agreement.
2. NHGC’s FPO program is designed to offer customers seeking price certainty a fixed price during the winter season. In accordance with the methodology initially approved by the Commission in 2000, as modified in Order 24,516 (September 19, 2005), in advance of each winter season, as part of NHGC’s winter cost of gas (“COG”) filing, the FPO rate is calculated by applying a \$0.02 per therm premium to the established COG rate. Customers are notified by October 1st each year of their pricing options and enrollment in the FPO program

closes on October 19th, or earlier, if 50 percent of the expected winter usage is subscribed. Customers are accepted into the program on a first-come, first-served basis.

3. On September 15, 2010, NHGC filed revisions to its tariff proposing its COG rates for the winter period November 1, 2010 through April 30, 2011. As filed, the proposed COG rate is \$1.5025 per therm, a \$0.0125 per therm increase from the weighted average COG rate of \$1.4900 per therm for last winter. NHGC also proposed a \$1.5225 per therm rate for its FPO program, a \$0.1823 per therm increase compared to the fixed price option rate of \$1.3402 per therm for last winter.

4. In early 2010, the Company entered into an agreement with Texas Liquids, the successful bidder in NHGC's RFP, to secure 700,000 gallons of propane for the 2010-2011 winter heating season, and to arrange for delivery of those volumes by truck from Selkirk, New York to Keene, New Hampshire. The weighted average cost of the plan volumes amounted to \$1.3613 per gallon (reflected on Schedule B-2 of the COG filing).

5. As described in greater detail in the Prefiled Supplemental Testimony of Jennifer Boucher being filed herewith, on September 22, 2010 a representative of Enterprise TE notified NHGC that, due to a propane leak on the pipeline that occurred on or about August 27, 2010, a 165-mile segment of the pipeline has been shut down pending evaluation of the condition of the entire facility by federal and state regulators. The pipeline shutdown has affected several terminals, including a temporary embargo of the terminal at Selkirk, New York. The duration of the pipeline shutdown and embargo at Selkirk is unknown, but could extend into the 2010-2011 winter heating season if repairs are required.

6. NHGC has worked diligently with Texas Liquids to ensure delivery of the Company's winter 2010-2011 propane supplies at alternate supply terminals as far west as Watkins Glen, New York for the duration of the current embargo of the Selkirk terminal, subject to a trucking differential of approximately \$0.20 per therm, as well as significant trucking wait time/detention charges. These incremental charges were not contemplated at the time of NHGC's initial COG filing and, therefore, are not included in the proposed FPO rate of \$1.5212 per therm (as reflected on the tariff page provided with the COG filing).

7. NHGC respectfully requests authorization to suspend the FPO program for the up-coming winter period so that all customers, FPO and non-FPO, will share equally in the incremental costs associated with the pipeline shutdown and the Selkirk embargo. If the FPO

rate is not suspended, non-FPO customers, whose rate is subject to fluctuations in market prices, will bear significant increases in delivery costs as a result of the Selkirk embargo, as well as the anticipated increase in commodity costs already observed in the days following commencement of the embargo at Selkirk. Unless the FPO program is suspended, non-FPO customers will subsidize the increased trucking costs, as well as higher spot market prices, not borne by the FPO customers who enjoy a “locked-in” rate. Based on current market conditions, non-FPO customers would likely see an immediate increase of 20 percent, or approximately \$1.80 per therm.


8. The Company proposes to send a letter in early October notifying customers of the suspension of the FPO program for the coming winter and generally informing customers about the nature of the Selkirk outage. A draft of the proposed letter is included as Attachment B to the Supplemental Testimony of Ms. Boucher.

WHEREFORE, NHGC respectfully requests that the Commission:

1. Authorize the Company to suspend the FPO program for the winter 2010-2011 season so that all customers, FPO and non-FPO, will share equally in the incremental costs associated with the pipeline shutdown and the Selkirk embargo.
2. Authorize NHGC to send a letter to all customers in early October notifying them of the suspension of the FPO program for the coming winter, in the form provided as Attachment B to the Supplemental Testimony of Ms. Boucher; and
3. Take such further steps and make such further findings and orders as the Commission deems reasonable and appropriate.

Respectfully submitted,

NEW HAMPSHIRE GAS CORPORATION

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