

DG 99-046

NEW HAMPSHIRE GAS CORPORATION

1999 Summer Cost of Gas Adjustment

**Order Approving the Cost of Gas Adjustment
and Revised Tariffs**

O R D E R N O. 23,205

April 23, 1999

APPEARANCES: Ransmeier & Spellman by Dom S. D'Ambruso, Esq. on behalf of New Hampshire Gas Corporation; and Larry S. Eckhaus, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On April 1, 1999, New Hampshire Gas Corporation (NHGC) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas Adjustment (CGA) for the 1999 summer period. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of John F. DiBernardo, Assistant General Manager for NHGC, and Mark A. Cole, Project Manager for New York State Electric & Gas and General Manager for NHGC. On April 7, 1999, Mr. Cole filed supplemental testimony. The filing proposed a 1999 Summer CGA **credit** of \$0.0468 per therm.

An Order of Notice was issued on April 1, 1999. NHGC informed customers of the impending change by publishing the Order of Notice in the Keene Sentinel on April 3, 1999. The Order of Notice also notified NHGC and its customers that the Commission Staff (Staff) was recommending changes in the tariffs to reflect gas costs on a per unit basis rather than as an

adjustment to the base unit cost of gas.

Apart from the Office of Consumer Advocate (OCA) which is a statutorily recognized intervenor, there were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on April 15, 1999.

II. POSITIONS OF THE PARTIES AND STAFF

New Hampshire Gas Corporation

NHGC witness John F. DiBernardo, Assistant General Manager, explained the calculation of the CGA, its impact on customers' bills, and the reasons attributing to the decrease in the rate. NHGC witness Mark A. Cole, General Manager, stated NHGC's position with regard to the proposed tariff changes.

A. Calculation and Impact of the Proposed CGA Rate

The proposed 1999 Summer CGA *credit* of \$0.0468 per therm was calculated by reducing the anticipated cost of gas of \$112,371 for an over collection and related interest totaling \$13,243 and dividing the resulting anticipated cost of \$99,128 by projected therm sales of 256,320 to arrive at a per unit cost of gas of \$0.3867 per therm, and then deducting the base unit cost of gas of \$0.4335 per therm.

NHGC's proposed 1999 Summer CGA is a *credit* of \$0.0468 per therm, a decrease of \$0.0719 from the 1998 Summer CGA *charge* of \$0.0251.

The proposed CGA rate of (\$0.0468) per therm will

decrease the average residential heating customer's monthly gas bill by approximately \$1.44, or 5.8%.

B. Factors Contributing to the Decreased CGA Rate

Projected gas costs are eleven percent lower than was projected for the 1998 summer period, due to a drop in propane prices. In addition, a prior period over collection and related interest of \$13,243 was credited against this year's projected costs, or approximately twice the prior period over collection that was used in the calculation of the 1998 Summer CGA rate.

NHGC acquired Keene Gas Corporation (Keene) on November 1, 1998 and adopted the monthly adjustment mechanism as approved in Commission Order No. 23,055 (October 30, 1998), Keene's 1998/1999 winter CGA. NHGC's use of the monthly adjustment mechanism this winter has resulted in a projected variance between revenues and costs of less than one percent as of March 26, 1999. NHGC will make use of the monthly adjustment mechanism this summer as warranted.

C. Changes to the Tariff Pages

NHGC opposed Staff's recommendation to change its tariffs to reflect gas costs on a per unit basis rather than as an adjustment to the base unit cost of gas at this time. Mr. Cole testified that NHGC had inherited Keene's billing system which included about a year's supply of preprinted bills which cannot be reformatted in the manner suggested by Staff.

Additional mailers could be used but would increase costs.

Mr. Cole also explained that NHGC has only recently started to establish a relationship with Keene's customers and was not anxious to revise bills that had not been changed in over twenty years.

NHGC is currently reviewing its billing options and is willing to work with Staff to alter its billing format to address Staff's request.

Staff

Staff stated that it had reviewed the filing and recommended that the Commission approve the proposed CGA as filed. Staff agreed with NHGC that customer bills need not be reformatted for the summer period, but recommended to the Commission that the tariff pages be changed to remove gas costs from base rates and that the gas costs be reflected on a per unit basis rather than as an adjustment to the base rates. Staff also recommended that NHGC's CGA tariff page be modified to include the provision that the CGA rate can be changed upward or downward on a monthly basis and the limits of that range.

During cross-examination, Staff requested that in future CGA filings that NHGC break out the unaccounted for gas figure to reflect the amount attributable to leaks and that which is attributable to unbilled gas.

III. COMMISSION ANALYSIS

After careful review of the record in this docket, we find that NHGC's proposed 1999 Summer CGA will result in just and reasonable rates and, therefore, we will approve the rates for effect May 1, 1999. We also find that tariff changes agreed to by NHGC and Staff are reasonable and in the public good.

NHGC and Staff also agreed that Staff's proposed changes to customer bills designed to delineate between distribution and gas charges not be implemented at this time, due to limitations of the current billing system and NHGC's desire to maintain consistency following the change in management. In light of the change in management and the need for a thorough review of NHGC's billing options, we will grant NHGC's request to delay the proposed bill changes for the summer period. We direct NHGC to work with Staff in designing a customer bill that will provide information on gas cost changes from month to month and that will clearly delineate between distribution and gas charges, consistent with the approved changes in the tariff. We trust that NHGC will be able to accomplish this in the most economical fashion possible and be able to implement such a change for the

1999/2000 Winter CGA period.

Lastly, we direct NHGC to break out the unaccounted for gas figure to reflect the amount attributable to leaks and that attributable to unbilled gas in future CGA filings, as requested by Staff.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's 1st Revised Page 25 - Calculation of the Cost of Gas, providing for a Summer CGA **credit** of \$0.0468 per therm for the period May 1, 1999 through October 31, 1999 is APPROVED effective for bills rendered on or after May 1, 1999; and it is

FURTHER ORDERED, that NHGC may adjust the approved Summer CGA rate of (\$0.0468) per therm upward or downward monthly based on NHGC's calculation of the projected over or under collection for the period, but the cumulative adjustments shall not vary more than ten percent (10%) from the approved unit cost of gas of \$0.3867 per therm (or \$0.0387 per therm) and can not change more than ten percent (10%) in any given month; and it is

FURTHER ORDERED, that NHGC shall provide the Commission with its monthly calculation of the projected over or under calculation, along with the resulting revised CGA rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 25 - Calculation of Cost of Gas Adjustment

and revised rate schedules if NHGC elects to adjust the CGA rate; and it is

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

FURTHER ORDERED, that NHGC tariff pages shall be revised to eliminate the base unit cost of gas included in base rates and reflect the unit cost to be added to base rates to determine the total cost; and it is

FURTHER ORDERED, that NHGC tariff page 25 - Cost of Gas Calculation shall be revised to include the maximum and minimum per unit cost that can be charged during the period without NHGC filing a revised CGA; and it is

FURTHER ORDERED, that NHGC shall file properly annotated tariff pages in compliance with this 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-third day of April, 1999.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary