

DG 02-042

NORTHERN UTILITIES, INC.

2002 Summer Cost of Gas

Order Approving the Cost of Gas and  
Local Distribution Adjustment Clause

O R D E R    N O.    23,957

April 30, 2002

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

**I.    PROCEDURAL HISTORY**

On March 15, 2002, Northern Utilities, Inc. (Northern) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) for the period May 1, 2002, through October 31, 2002, for Northern's natural gas operations in the Seacoast area of New Hampshire. The filing was accompanied by supporting attachments and the Direct Testimony of Joseph A. Ferro, Manager of Regulatory Policy.

An Order of Notice was issued on March 21, 2002, and published in the *Union Leader* on March 25, 2002.

On April 3, 2002, the Office of the Consumer Advocate (OCA) filed a Notice of Intent to Participate in this docket on behalf of residential utility consumers pursuant to

the powers and duties granted to the OCA under RSA 363:28,II. There were no other intervenors in this docket.

On April 10, 2002, Northern filed a revised Cost of Gas for the 2002 Summer Period updating cost forecasts, correcting errors and incorporating changes agreed to by KeySpan and Commission Staff (Staff) during the COG technical session held on March 27, 2002.

A duly noticed hearing on the merits was held at the Commission on April 18, 2002.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Northern**

Northern witness Joseph A. Ferro addressed the following issues: 1) calculation of the COG and impact on customer bills; 2) reasons for the 2001 Summer COG under collection; 3) reduction in the LDAC rate; and 4) waiver of N.H. Admin. Rule Puc 1203.05(b).

#### **1. Calculation and Impact of the Firm Sales COG Rate**

The proposed 2002 Summer COG average cost of gas (residential firm sales rate) of \$0.6303 per therm is comprised of anticipated direct gas costs, indirect gas costs and various adjustments. Anticipated direct gas costs total \$5,602,457 and are off-set by a pipeline refund of \$68,957 and

increased by indirect costs (working capital, bad debt and overhead) of \$55,449, a prior period under collection of \$396,489 and related interest of \$5,026 to bring the total gas costs to be recovered over the 2002 summer period to \$5,990,465. The gas costs for recovery over the upcoming summer period are divided by projected sales of 9,504,358 (based on 2001 summer normalized sales and projected sales growth) to arrive at the average cost of gas rate.

Northern's proposed 2002 Summer Residential COG rate of \$0.6303 per therm is an increase of \$0.0129 per therm from the 2001 Summer weighted Firm Sales COG rate of \$0.6174 per therm.

The impact of the proposed firm sales rate and changes in the LDAC is an increase in the typical residential heating customer's summer gas costs of \$5, a 1.4% increase over last summer. Instead of the typical residential heating customer's summer gas costs being \$370, it will now be \$375.

## **2. Reasons for 2001 Summer Under Collection**

Using the monthly adjustment mechanism that allows Northern to adjust COG rates within 20% of the approved rate without submitting a revised rate filing, Northern twice reduced its 2001 summer COG rates to reflect decreases in the natural gas commodity prices. Those reductions brought the

approved rate of \$0.6831 per therm down to \$0.5465 per therm for the final three months of the period and all but eliminated any over or under recovery as reported in Northern's monthly gas cost reports for the period. Northern's final reconciliation of its 2001 summer gas costs revealed a deferral of pipeline demand charges to the winter that are more appropriately allocated to the summer, and that correction resulted in an approximate under collection of \$400,000 for the 2001 summer period.

### **3. LDAC Rate Reduction**

Commission Order No. 23,825 (October 31, 2001) approved Northern's proposed 2001/2002 LDAC per therm rates effective through October 31, 2002, with the exception of the Rate Case Expense Surcharge which was to expire on April 30, 2002. Effective May 1, 2002, Northern's LDAC per therm rate will be reduced to reflect the expiration of that surcharge. The Residential LDAC rate will be reduced by \$0.0020 per therm and the Commercial and Industrial LDAC rate by \$0.0048 per therm.

### **4. Waiver of N.H. Admin. Rule Puc 1203.05(b)**

Northern made an oral request for a waiver, pursuant to Puc 201.05, of N.H. Admin. Rule, Puc 1203.05(b), which requires that rate changes occurring as a result of a cost of

gas adjustment proceeding be implemented on a bills rendered basis, to enable Northern to bill the new COG rates on a service rendered basis.

**B. Staff**

Staff recommended approval of Northern's proposed COG rates, based on an audit of last summer's gas costs and a thorough review of the filing.

Staff concurred with Northern's verbal request for a waiver of N.H. Admin. Rule, Puc 1203.05(b), to enable Northern to bill the new COG rates on a service rendered basis.

**III. COMMISSION ANALYSIS**

After careful review of the record in this docket, we find that Northern's proposed COG rates will result in just and reasonable rates. Accordingly, we accept and approve Northern's proposed 2002 Summer COG rates.

Also, consistent with the COG rate change billing treatment approved in Order No. 23,674 (April 5, 2001), we waive the application of N.H. Admin. Rules, Puc 1203.05(b), which requires that rate changes occurring as a result of a cost of gas adjustment proceeding be implemented on a bills rendered basis. The Commission is in the process of changing this rule, however, the rule change has not obtained

legislative approval as of this order. This waiver produces a result consistent with the principles embodied in Puc 1203.05(a), which states that all rate changes, with the exception described in (b), shall be implemented on the basis of service rendered on or after the effective date of the approved rate change.

**Based upon the foregoing, it is hereby**

**ORDERED,** that Northern's proposed 2002 Summer COG per therm rates for the period of May 1, 2002 through October 31, 2002 are APPROVED effective for service rendered on or after May 1, 2002 as follows:

	Cost of Gas	Minimum COG	Maximum COG
Residential	\$0.6303	\$0.5042	\$0.7563
C&I, low winter use	\$0.5855	\$0.4684	\$0.7026
C&I, high winter use	\$0.6713	\$0.5370	\$0.8055

**FURTHER ORDERED,** that Northern may, without further Commission action, adjust the approved COG rates 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 twenty percent (20%) of the approved unit cost of gas, the minimum and maximum

rates as set above; and it is

**FURTHER ORDERED,** that Northern shall provide the Commission with its monthly calculation of the projected over or under-calculation, along with the resulting revised COG rates 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 pages 38 & 39 - Calculation of Cost of Gas Adjustment and revised rate schedules if Northern elects to adjust the COG rates; 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's proposed 2002 Local Distribution Adjustment Clause (LDAC) per therm rates for the period May 1, 2002 through October 31, 2002, is APPROVED effective for service rendered on or after May 1, 2002 as follows:

	Demand Side Mgmt.	Envir. Remed. Costs	Wells Exit Fee	Gas Restr. Costs	LDAC
Residential Heating	\$0.0017	\$0.0059	\$0.0065		0.0141
Residential Non-heating	\$0.0009	\$0.0059	\$0.0065		0.0133
Small C&I	\$0.0001	\$0.0059	\$0.0065	\$0.0028	0.0153
Medium C&I	\$0.0006	\$0.0059	\$0.0065	\$0.0028	0.0158
Large C&I	\$0.0006	\$0.0059	\$0.0065	\$0.0028	0.0158
No Previous Sales Service	By Class	\$0.0059	N/A	\$0.0028	0.0087

**FURTHER ORDERED,** that the Commission waives N.H. Admin. Rules Puc 1203.05(b) and will allow Northern to implement its 2002 Summer COG rates on a service-rendered basis; and it is

**FURTHER ORDERED,** that Northern 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 thirtieth day of April, 2002.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary