

DG 02-043

NORTHERN UTILITIES, INC. - PELHAM DIVISION

2002 Summer Cost of Gas

Order Approving the Cost of Gas Rate

O R D E R N O. 23,958

April 30, 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 March 15, 2002, Northern Utilities, Inc. - Pelham Division (Northern), a utility serving 18 commercial customers located in Pelham, New Hampshire and supplied by wholesale propane through one 19,000 gallon tank, filed with the New Hampshire Public Utilities Commission (Commission) modifications to its tariff providing for a Summer Cost of Gas (COG) rate for the period May 1, 2002 through October 31, 2002. The filing included testimony and supporting schedules.

By Order of Notice issued March 19, 2002, the Commission scheduled the date of the hearing for April 18, 2002, and set deadlines for intervention requests and objections thereto. There were no Motions to Intervene filed. 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's witness Joseph A. Ferro, Manager of Regulatory Policy, addressed the following issues: 1) calculation of the COG rate; 2) the impact on customer bills; and 3) plans to move the Pelham Division from regulated to unregulated service.

1. Calculation of the 2002 Summer COG Rate

The proposed 2002 Summer COG rate of \$0.6352 per therm (allowing for monthly, cumulative adjustments at levels to produce COG rates not to exceed a maximum rate of \$0.7622 per therm and a minimum rate of \$0.5082 per therm) was calculated by increasing the anticipated cost of gas of \$10,908 by the prior period under-collection of \$827 and related interest of \$33 and dividing the resulting anticipated costs of \$11,768 by projected therm sales of 18,528.

2. Rate Impact of the Proposed 2002 Summer COG Rate

Northern's proposed 2002 Summer COG rate of \$0.6352 per therm represents a decrease of \$0.2056 per therm from the 2001 average weighted Summer COG rate of \$0.8408 per therm.

The Pelham Division is made up of eighteen (18) commercial customers and the proposed COG rate of \$0.6352 per therm will decrease the monthly bill of a customer consuming

200 therms by \$41, or approximately 17%, compared to last summer's bill.

3. Deregulation of Pelham Propane Service

Mr. Ferro testified that Staff and Northern have had ongoing discussions regarding the prospects for transitioning the 18 Pelham propane customers from regulated to unregulated service. It is Northern's intent to put the system up for sale and find a supplier that would be willing to offer customers a rate similar to the regulated propane rates currently in effect. Northern is in the process of developing a formal plan for presentation to the Commission and will seek Staff input prior to filing a formal request.

B. Staff

At the hearing, Staff stated its support for the proposed 2002 Summer COG rate of \$0.6352 per therm.

III. COMMISSION ANALYSIS

After reviewing the record, we conclude that the proposed 2002 Summer COG rate of \$0.6352 per therm will result in a just and reasonable rate. Accordingly, we accept and approve Northern's proposed 2002 Summer COG rate.

The primary reason for the Commission regulating the Pelham propane system was the understanding that Northern would extend natural gas service to that system at some future

date, as was done with the Northern Salem propane system some years ago. Northern asserts that natural gas service cannot be economically provided to Pelham at any time in the foreseeable future and that the system should no longer be subject to Commission regulation. We appreciate Northern's efforts to develop a plan that results in a minimal impact on the Pelham customers and await Northern's filing detailing how that is to be accomplished. We direct Northern to file such a plan with an effective date prior to the start of the winter period, or explain why such a plan is not feasible in its winter COG filing.

Also, consistent with the COG rate change billing treatment approved for Northern by the Commission in Docket DG 00-046, Revenue Neutral Rate Redesign, Order No. 23,674 (April 5, 2002), we waive the application 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 shall be implemented on a bills-rendered basis. This waiver, pursuant to Puc 201.05, 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), 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 Utilities, Inc. - Pelham Division's proposed Summer COG rate of \$0.6352 per therm for the period May 1, 2002 through October 31, 2002 is APPROVED effective for service rendered on or after May 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 the cumulative adjustments shall not exceed twenty percent (20%), or \$0.1270 per therm, of the approved unit cost of gas; 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 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 33 - 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 the Commission waives NH Admin. Rules Puc 1203.05(b) and will allow Northern to implement its 2002 Summer COG rate 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 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 thirtieth day of April, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary