

DG 02-003

NEW HAMPSHIRE GAS CORPORATION

Petition for Permanent and Temporary Rate Increases

**Order Scheduling Prehearing Conference and Temporary Rate Hearing and
Suspending Proposed Tariffs**

O R D E R N O. 23,965

May 3, 2002

New Hampshire Gas Corporation (NHGC or Petitioner) filed with the New Hampshire Public Utilities Commission (Commission), on January 7, 2002, a Notice of Intent to file rate schedules. The Petitioner, a public utility engaged in the business of distributing propane-air, serves approximately 1,000 customers in Keene, New Hampshire. On February 26, 2002, NHGC requested an extension of time to file its rate filing. The Commission granted this request on March 26, 2002. On April 8, 2002, NHGC filed a petition for an increase in permanent rates of 19%, designed to increase annual revenues by \$288,887. The Petitioner requests that it be allowed to implement the rate increase incrementally, with an initial rate increase of 13 percent designed to increasing annual revenues by \$187,777, and succeeding increases, up to the approved amount, allowable at any time over the next three years with 30 days notice. The number of increases and amount of each increase would be based on the NHGC's evaluation of customer response to each preceding increase. This approach is intended to prevent customers from

leaving the system thereby creating a "death spiral," a situation in which rates steadily increase and the number of customers steadily decrease until the customer base can no longer fund the system. The Petitioner also requests that any revenue deficiency resulting from implementing rates below the approved rates be recorded in a deferred account and recoverable from customers at some future time.

The Petition was accompanied by testimony from Mark A Cole, Ralph H. Canfield and Marc P. Webster to address operational aspects of the Company, staffing requirements, capital budgets as well as historic revenue requirements and rate design issues. NH Gas' pre-filed testimony further explained that an increase in test year revenues of \$423,657 would be needed to allow NH Gas to earn a 8.5% rate of return, but that the company was not requesting such a rate increase at this time due to concerns of rate shock to customers. Instead, the company is requesting the Commission allow an initial increase in revenues of \$187,777.

On April 8, 2002, NH Gas also filed a Petition for Temporary Rates in the amount of \$187,777 or 13 percent over current rates. The Petitioner asserts that the increase in revenues is required because it is not earning a return adequate to cover its cost of capital and earn a reasonable return on the actual cost of its property used and useful in the public service. Other factors contributing to the requested rate increase include adjustments to

rate base, tax adjustments and increases in operation and maintenance costs.

Issues raised by this filing include, inter alia: RSA 378 relative to rates and charges to customers; the Petitioner's request to phase-in the rate increase, incrementally, over the next three years without filing an additional petition for rate increase pursuant to RSA 378; the Petitioner's proposed return on equity; and the Petitioner's request to include rate base additions.

Based on the foregoing, it is hereby

ORDERED, that New Hampshire Gas's NHPUC No. 1, 2nd Revised Page 19 and 2nd revised page 20 be and hereby are suspended, pursuant to RSA 378:6,I(a), and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the New Hampshire Public Utilities Commission located at 8 Old Suncook Road, Concord, New Hampshire on May 28, 2002 at 1:30 p.m. at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the Petition; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, The Petitioner, Commission Staff and Intervenors hold a First Technical Session to review the noticed issues; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc

203.01, New Hampshire Gas notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than May 14, 2002, in a statewide newspaper of general circulation, publication to be documented by affidavit filed with the Commission on or before May 28, 2002; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to the Petitioner and the Office of the Consumer Advocate on or before May 22, 2002, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.02 (a)(2); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before May 28, 2002 and it is

FURTHER ORDERED, that Staff and Interveners shall file testimony on New Hampshire Gas's temporary rate request no later than June 13, 2002, and that a hearing on the request for temporary rates will be held on June 20, 2002 at 10:00 a.m.; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, NHGC shall publish by June 6, 2002, a display advertisement pertaining to the Temporary Rate Hearing, details of which shall be determined in consultation between NHGC and the Commission's Executive Director; and it is

FURTHER ORDERED, that the Petitioner's proposed rate schedules filed on April 8, 2002 are hereby suspended from going into effect on June 1, 2002.

By order of the Public Utilities Commission of New Hampshire this third day of May, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director and Secretary

Any individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the American with Disabilities Act Coordinator, NHPUC, 8 Old Suncook Road, Concord, New Hampshire 03301-7319; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Preferably, notification of the need for assistance should be made one week before the scheduled event.