

DG 02-003

NEW HAMPSHIRE GAS CORPORATION

Petition for Permanent and Temporary Rate Increases

Order Approving Temporary Rate

O R D E R N O. 24,003

June 28, 2002

APPEARANCES: Ransmeier & Spellman, P.C., by Dom D'Ambruso, Esq. for N.H. Gas Corporation; Marcia A. B. Thunberg, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. BACKGROUND AND PROCEDURAL HISTORY

New Hampshire Gas Corporation (NHGC or Petitioner) is a public utility engaged in the business of distributing propane-air and serves approximately 1,000 customers in Keene, New Hampshire. On January 7, 2002, NHGC filed with the New Hampshire Public Utilities Commission (Commission) a Notice of Intent to file rate schedules. On February 26, 2002, NHGC requested an extension of time to submit its rate filing and this was granted by the Commission on March 26, 2002.

On April 8, 2002, NHGC filed a petition for an increase in permanent rates of 19 percent, designed to increase annual revenues by \$288,887. The Petitioner requested 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. NHGC's pre-filed testimony further explained that an increase in test year revenues of \$423,657 would be needed to allow the Company to earn a rate of return of 8.5 percent, but that the company was not requesting such a rate increase at this time due to concerns of rate shock to customers.

On April 8, 2002, NHGC also filed a Petition for Temporary Rates in the same amount as the first stage of the permanent rate increase, \$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.

The Commission issued Order No. 23,965, dated May 3, 2002, scheduling a prehearing conference and a temporary rate hearing, and suspending the proposed tariffs. A prehearing conference was held on May 28, 2002 at the Commission; NHGC and Staff met in a technical session thereafter and developed a proposed procedural schedule. The proposed procedural schedule was submitted to and approved by the Commission in its Order No. 23,988, dated June 7, 2002.

After limited discovery, Staff and NHGC submitted a Settlement Agreement on Temporary Rates to the Commission on June 17, 2002. A hearing on the Settlement Agreement was held on June 20, 2002.

II. POSITIONS OF THE PARTIES

A. New Hampshire Gas Corporation

NHGC states its proposed temporary and permanent rate increases are designed to alleviate a portion of the Company's existing revenue deficiency. The Company's overall rate of return, as described in the Petition for Temporary Rates, is well below the return authorized in NHGC's last rate case. See Order No. 18,491, DR 86-185, December 2, 1986, which authorized a rate of return of 3.22 percent. NHGC's filing states it earned a negative 15.8 percent rate of return for the 2001 test year, with proforma adjustments further lowering its earned rate of return to negative 18.2 percent. NHGC advocated approval of a Settlement Agreement entered into by NHGC and Staff which provided for a temporary increase in revenues by \$187,777 and results in a 12.8 percent rate increase for customers.

B. Commission Staff

Staff advocated for Commission approval of the Settlement Agreement. Staff stated that, based on limited discovery responses, with the additional \$187,777 in revenue NHGC may not be earning a negative 6.4 percent return as reported, but rather, something closer to a zero percent return.

III. SUMMARY OF SETTLEMENT AGREEMENT

The terms of the Settlement Agreement are summarized below:

A. Temporary Rate Level

NHGC and Staff agree that the stipulated temporary increase shall be designed to yield an increase in annual

revenues of \$187,777, to be applied equally to the Residential and Commercial and Industrial customer classes. This will result in a 12.8 percent increase in customer bills.

B. Reconciliation

NHGC and Staff agree that the difference between the revenues under temporary rates and the permanent revenue levels to be approved by the Commission at the end of this proceeding shall be adjusted and either charged to customers via a Commission approved surcharge or returned to customers via a Commission approved refund.

C. Effective Date of Temporary Rates

The Staff and NHGC agreed temporary rates should become effective on all service rendered on or after July 1, 2002.

IV. COMMISSION ANALYSIS

RSA 378:27 authorizes the Commission to grant temporary rates, if, in its opinion, the public interest so requires and the records of the Company on file with the Commission indicate it is not earning a reasonable return on its property used and useful in the public service. Further, the statute contemplates the setting of temporary rates by reasonably practical and expeditious means, without such investigation as might be deemed necessary to a determination of permanent rates. See New England Telephone & Telegraph v. State, 95 N.H. 515, 518 (1949)

We have reviewed the terms of the Settlement Agreement as well as NHGC's filing and supporting testimony and exhibits presented at the June 20, 2002 hearing. NHGC demonstrated that it is currently underearning, although based upon the testimony

at the hearing, it appears Staff and the Company do not agree on the exact level of underearning. It is anticipated that additional discovery afforded by the permanent rate case procedural schedule will elucidate that point. The hearing on temporary rates, evidence in the record, and the Settlement Agreement, however, produced enough evidence for the Commission to conclude the requested \$187,777 in additional revenue is reasonable, taking into consideration the need to balance the respective concerns of the Company and its ratepayers under the special circumstances of this case.

Based on our review of the record, we find NHGC's temporary rates, as set forth in their initial filing and as agreed to by Staff in the Settlement Agreement, produces rates that are just and reasonable and in the public good. We note that these rates are subject to reconciliation at the conclusion of the permanent rate case.

Based on the foregoing, it is hereby

ORDERED, that the Settlement Agreement proposed by NH Gas Corporation and Commission Staff is APPROVED; and it is

FURTHER ORDERED, that the temporary rate for the various customer classes be implemented on a service rendered basis effective July 1, 2002; and it is

FURTHER ORDERED, that NH Gas Corporation shall submit tariff pages in compliance within 15 days of the date of this order.

By order of the Public Utilities Commission of New
Hampshire this twenty-eighth day of June, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director and Secretary