

DG 03-179

NORTHERN UTILITIES, INC.

2003/2004 Winter Cost of Gas

Order Approving the Cost of Gas Rate, Local Distribution  
Adjustment Charge and Supplier Balancing Charges

O R D E R N O. 24,228

October 30, 2003

**APPEARANCES:** Patricia French, Esq., on behalf of Northern Utilities, Inc.; Mr. Kenneth E. Traum on behalf of residential utility consumers; and Marcia A.B. Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

On September 15, 2003, Northern Utilities, Inc. (Northern) filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) for the period November 1, 2003 through April 30, 2004 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, and Francisco C. DaFonte, Director of Gas Control. On September 23, 2003, the Commission issued an Order of Notice setting a hearing for October 23, 2003. On September 25, 2003, 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 October 21, 2003, Northern filed, for Commission approval, a revised Transportation Supplier Balancing Charge, Peaking Demand Charge and Capacity Allocators.

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

### **A. Northern**

Northern witnesses Joseph A. Ferro and Francisco C. DaFonte addressed the following issues: 1) calculation of the COG rates; 2) reasons for the increase and customer bill impacts; 3) the Local Distribution Adjustment Clause; and, 4) the Transportation Supplier Balancing Charge, Peaking Demand Charge and Capacity Allocators.

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

According to Northern's revised COG filing, the proposed 2003/2004 Winter average cost of gas residential firm sales rate of \$0.9030 per therm is comprised of anticipated direct gas costs, indirect gas costs and various adjustments. Anticipated direct gas costs total \$31,893,915 and are increased by adjustments totaling \$1,053,747 (prior period under collection of \$1,443,315, refunds of \$409,060 and interest of \$19,492). Anticipated indirect gas costs total \$991,622, consisting of production and storage capacity, working capital, bad debt and overhead charges. The gas costs to be recovered over the 2003/2004 winter period (anticipated direct and indirect costs and adjustments) total \$33,939,284 and are

divided by projected winter period sales of 37,585,067 therms (based on 2002/2003 winter normalized sales and projected sales growth of negative 0.5 percent) to arrive at the average cost of gas rate.

Northern applied the ratios established in the Company's revenue-neutral rate redesign proceeding, see Order No. 23,674 (April 5, 2001), to the average residential COG rate to determine the Commercial/Industrial (C&I) Low Winter Use COG rate of \$0.6628 per therm and the C&I High Winter Use COG rate of \$0.9817 per therm.

Northern's proposed 2003/2004 Winter COG residential rate of \$0.9030 per therm represents an increase of \$0.1830 per therm from the average weighted 2002/2003 Winter COG rate of \$0.7200 per therm.

The impact of the proposed firm sales COG rate, Local Distribution Adjustment Clause (LDAC) and delivery rates is an increase in the typical residential heating customer's winter gas costs of \$177, which represents a 16.86% increase above last winter's rates. Exh. 1 at 74.

## **2. Reasons for the Increase**

According to Northern, the increase in the proposed COG rate, as compared to last winter's rate, can be attributed to an increase in the actual and projected natural gas fuel prices and an increase in demand charges.

### 3. Local Distribution Adjustment Clause

Under Northern's proposal, surcharges and credits to be included in the LDAC for the winter period are related to rate case expenses, reconciliation of temporary and permanent rates, environmental costs to remediate Manufactured Gas Plant (MGP) sites, costs related to exiting the Wells LNG Peak Shaving Facilities contract and Energy Efficiency programs.

Northern's last base rate case, Docket No. DG 01-182, resulted in approved rate case expenses of \$410,017 and a refund to customers of the difference between temporary and permanent rates totaling \$995,743. Over the past year, Northern over-recovered rate case expenses of \$90,141 and over-refunded \$35,272 of the difference between temporary and permanent rates. As indicated in Northern's filing, Northern proposes to eliminate the over-recovery and over-refund through implementing a credit of \$0.0212 per therm and a surcharge of \$0.0083 per therm, respectively, over the winter period. Exh. 1 at 82.

In *Northern Utilities, Inc.*, 84 NH PUC 669 (1999), the Commission approved a plan for the recovery of costs related to early termination of the Company's Wells LNG Peak Shaving Facilities contract. The settlement provided for recovery of \$379,663 in year five, commencing November 1, 2003. Northern's reconciliation of prior period costs and revenues resulted in an over-recovery which has been deducted from this year's recovery

amount resulting in a surcharge of \$0.0063 per therm. This surcharge appears on Northern's tariff Proposed Fourth Revised Page 56.

In *Northern Utilities, Inc.* 83 NH PUC 580 (1998), the Commission approved a recovery mechanism for environmental remediation costs (ERC) associated with former manufactured gas plant (MGP) sites. These costs are filed during Northern's winter Cost of Gas proceeding for Commission review and are recovered over a seven-year period. Northern filed for recovery of unamortized deferred environmental remediation costs of \$225,821, incurred from July 1, 2002 through June 30, 2003. The remediation expenses, combined with prior year's expenses approved for recovery and unamortized to date, third party recovery legal expenses of \$26,921, and a \$200,997 insurance recovery adjustment, result in \$535,920 to be recovered from ratepayers. This determined an ERC rate of \$0.0086 per therm to be applied for the period of November 1, 2003 through October 31, 2004. Exh. 1 at 81.

The LDAC also includes an energy efficiency surcharge approved in Commission Order No. 24,161 (April 25, 2003), effective May 1, 2003 through April 30, 2004.

#### **4. Revised Transportation Charges and Allocators**

In *Re Gas Restructuring*, 86 NH PUC 131 (2001), the Gas Restructuring Docket (DE 98-124), the Commission approved Supplier Balancing charges to be updated once a year, effective for the billing month of November.

Northern updated its Supplier Balancing charges, the charges that suppliers are required to pay Northern for balancing services as Northern attempts to meet the shifting loads for the supplier's customer pools. The Balancing Charge has been decreased from \$0.71 per MMBtu to \$0.70 per MMBtu and the Peaking Demand Charge increased from \$15.54 per MMBtu of Peak MDQ to \$17.07 per MMBtu of Peak MDQ. The increases are based on an update of volumes and costs used in calculating the charges.

The capacity allocator percentages used to allocate pipeline, storage and local peaking capacity to a customer's supplier under New Hampshire's mandatory capacity assignment, required for firm transportation service, have been updated to reflect Northern's supply portfolio for the upcoming year.

#### **5. Motion for Protective Order and Confidential Treatment**

Northern filed a Motion for Protective Order and Confidential Treatment for information relating to peaking service demand charges and made an oral motion at the hearing for protection of information relating to environmental response

costs. With respect to the peaking demand charge, Northern stated the information supplied contains confidential negotiated terms regarding pricing and gas volumes. With respect to the latter, Northern stated the information reflects settlements obtained by NiSource Corporate Services and Northern and Bay State, with their insurers with regard to these costs. Northern stated releasing the information might jeopardize Northern's ability to obtain favorable gas supply contracts and obtain favorable resolution of future insurance settlements. Hearing Transcript, 10/23/03 at 7 lines 5-11.

**B. OCA**

The OCA expressed its concern regarding the 17 percent rate increase as a result of the proposed COG filing, but felt the increase was justified based on the record and what is happening the natural gas market nationally.

**C. Staff**

Staff stated that it had reviewed Northern's demand and supply forecasts for the upcoming winter period and recommended approval. Staff noted that the plan was consistent with those filed by Northern in previous winter periods, designed to provide reliable service at a reasonable cost to ratepayers, and which have been approved by the Commission in the past.

Staff also recommended approval of Northern's motions for protective treatment related to peaking service demand charges and environmental response costs.

### **III. COMMISSION ANALYSIS**

After careful review of the record in this docket, we find that Northern's proposed COG rates and surcharges will result in just and reasonable rates pursuant to RSA 378:7. Accordingly, we accept and approve Northern's proposed 2003/2004 Winter COG rate, the proposed Wells Exit Surcharge, Environmental Cost Recovery Surcharge, Rate Expense Credit, and Temporary Rate Refund Surcharge. Customers are protected by the additional fact that the costs underlying these rates are reconcilable and subject to the Commission's continued investigation.

The Commission received no objections to Northern's Motion for Protective Order and Confidential Treatment concerning information relating to peaking service demand charges and information relating to environmental response costs. The basis of Northern's motions is that the information is not publicly disclosed, that the information is commercially sensitive, and that release of the information would disadvantage Northern in future negotiations.

The applicable provision of the Right-to-Know Law, RSA 91-A:5, IV, exempts from public disclosure certain commercial or financial information that is private and confidential. Applying this provision requires us to balance the asserted private, confidential, commercial or financial interest against the public's interest in disclosure. See *Union Leader Corp. v. N.H. Housing Fin. Auth.*, 142 N.H. 540, 553 (1997). Applying that test, we determine that the potential disadvantage to Northern in future negotiations outweighs the public's interest in disclosure. We therefore grant Northern's motion.

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

**ORDERED**, Northern's proposed 2003/2004 Winter COG and FPO per therm rates for the period of November 1, 2003 through April 30, 2004 are APPROVED effective for service rendered on or after November 1, 2003 as follows:

	<b>Cost of Gas</b>	<b>Minimum COG</b>	<b>Maximum COG</b>
<b>Residential</b>	\$0.9030	\$0.7224	\$1.0836
<b>C&amp;I, low winter use</b>	\$0.6628	\$0.5302	\$0.7953
<b>C&amp;I, high winter use</b>	\$0.9817	\$0.7854	\$1.1781

**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 2003/2004 Local Distribution Adjustment Clause (LDAC) per therm rates are APPROVED effective for service rendered on or after November 1, 2003 as follows:

	Energy Effic.	Envir. Remed. Costs	Wells Exit Fee	Refund Temp. Revenue	Rate Case Expense	LDAC
Residential Heating	\$0.0168	\$0.0086	\$0.0063	\$0.0083	(\$0.0212)	0.0188
Residential Non-heating	\$0.0168	\$0.0086	\$0.0063	\$0.0083	(\$0.0212)	0.0188
Small C&I	\$0.0194	\$0.0086	\$0.0063	\$0.0083	(\$0.0212)	0.0214
Medium C&I	\$0.0194	\$0.0086	\$0.0063	\$0.0083	(\$0.0212)	0.0214
Large C&I	\$0.0194	\$0.0086	\$0.0063	\$0.0083	(\$0.0212)	0.0214

**FURTHER ORDERED**, that Northern's Environmental Remediation Cost Adjustment and Wells Exit Fee surcharges are effective November 1, 2003 through October 31, 2004; and it is

**FURTHER ORDERED**, that the Rate Case Expense credit and Temporary Rate Refund surcharge are effective November 1, 2003 through April 30, 2004; and it is

**FURTHER ORDERED**, that Northern's proposed Transportation Supplier Balancing Charge of \$0.70 per MMBtu of Daily Imbalance Volumes, is APPROVED; and it is

**FURTHER ORDERED**, that Northern's proposed Transportation Peaking Demand Charge of \$17.07 per MMBtu of Peak MDQ, is APPROVED; and it is

**FURTHER ORDERED**, that Northern's proposed Transportation Capacity Allocators as filed in Proposed Second Revised Page 169, Superseding First Revised Page 169, is APPROVED; 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; and it is

**FURTHER ORDERED**, that Northern's Motion for Protective Order and Confidential Treatment concerning negotiated pricing terms is GRANTED; and it is

**FURTHER ORDERED**, that the determination as to confidential treatment made herein is subject to the ongoing authority of the Commission, on its own motion or on the motion of Staff, any party or any other member of the public, to reconsider this Order in light of RSA 91-A, should circumstances so warrant.

By order of the Public Utilities Commission of New  
Hampshire this thirtieth day of October, 2003.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Graham J. Morrison  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary