

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 11-045

NORTHERN UTILITIES, INC.

2011 Summer Season Cost of Gas

Order Approving Cost of Gas Rate

ORDER NO. 25,215

April 29, 2011

APPEARANCES: Susan S. Geiger, Esq., Orr & Reno, P.A., on behalf of Northern Utilities, Inc.; Meredith Hatfield, Esq., of the Office of the Consumer Advocate, on behalf of residential ratepayers; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 15, 2011, Northern Utilities, Inc. (Northern or Company) filed proposed rate adjustments pursuant to the Cost of Gas (COG) clause in its tariff for the period May 1, 2011 through October 31, 2011, applicable to Northern's natural gas operations in the southeastern and seacoast areas of New Hampshire. *See* Hearing Exhibit 1, March 15, 2011 COG Filing. The filing was accompanied by supporting schedules and the direct testimony of James D. Simpson, Vice President of Concentric Energy Advisors, on behalf of Northern, Francis X. Wells, Manager of Gas Supply for Unitil Service Corporation, an affiliate company of Northern, and Joseph F. Conneely, Senior Regulatory Analyst for Unitil Service Corporation.

On March 22, 2011, the Commission issued an order of notice scheduling a hearing for April 19, 2011. On March 22, 2011, the Office of Consumer Advocate (OCA) notified the Commission of its participation in the docket on behalf of residential ratepayers consistent with

RSA 363:28. No other parties intervened in this docket. On April 15, 2011, Northern filed a revised proposed COG rate for the summer season. *See* Hearing Exhibit 2, April 15, 2011 Revised COG Filing. The revised filing indicated that the COG rate revisions would decrease rates by approximately 0.10% from the summer of 2010. *Id.* The hearing was held on April 19, 2011 as scheduled. At the hearing, Northern presented the “red-lined” testimony of Mr. Simpson showing the changes to his testimony following the revision to Northern’s filing. *See* Hearing Exhibit 3, Red-Lined Testimony of James Simpson.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern’s witnesses Simpson, Wells and Conneely addressed the calculation of the proposed COG rates and customer bill impacts. Pursuant to the COG clause, Northern, with the Commission’s approval, may adjust on a semi-annual basis its firm gas sales rates in order to recover the costs of gas supplies, capacity and certain related expenses, net of applicable credits, as specified in Northern’s tariff. The average COG rate, which is the COG rate payable by residential customers, is calculated by dividing total anticipated direct costs of \$4,737,762 and total indirect costs of \$201,572 by projected summer season sales of 7,400,642 therms. Costs include: anticipated indirect gas costs, consisting of working capital, bad debt, and overhead charges; anticipated direct costs, consisting of pipeline transportation capacity, storage capacity and commodity charges; and adjustments, consisting of a prior period under-collection, interest and anticipated losses from hedging.

Northern’s filing, as revised, proposes a 2011 summer season residential COG rate of \$0.6673 per therm, a decrease of \$0.0173 per therm from the weighted average 2010 summer

season residential COG rate of \$0.6879 per therm. The impact of the proposed firm sales COG rate combined with the prior increase in the LDAC is an overall decrease in the typical residential heating customer's summer gas costs of approximately 42 cents, or 0.10 percent, when compared to the average COG rates for the 2010 summer season.

Northern's proposed commercial and industrial (C&I) low winter use and high winter use COG rates are as follows: \$0.5975 per therm for the low winter use COG rate and \$0.7234 per therm for the high winter use COG. The low winter use and high winter use COG rates for C&I customers for the 2011 summer season are comparable to the 2010 summer season rates.

B. OCA

OCA questioned the Company in general terms about its ongoing litigation before the Federal Energy Regulatory Commission (FERC) regarding proposed increased rates by the Tennessee Gas Pipeline (TGP). Transcript of April 19, 2011 Hearing (Tr.) at 15-16. OCA also confirmed through questioning the Company that migrations of its commercial and industrial customers did not result in cost-shifting to remaining customers. Tr. at 20-21. OCA also confirmed that costs related to the Company's use of gas for its own use, and unaccounted for gas, were allocated proportionally among the various customer classes, on the basis of each customer's own use. Tr. at 19. In its closing, OCA stated that it did not oppose the Company's filing. Tr. at 31.

C. Staff

Staff noted that the Commission's Audit Staff had nearly completed its audit of the reconciliation from the 2010 summer COG season, and that it expected the revised reconciliation to be materially accurate. Tr. at 32. Staff also queried the Company generally about the progress

of its litigation, together with its shippers' group, in the TGP case before FERC, and developments in a rate case before the Canadian National Energy Board, involving the TransCanada pipeline. Tr. at 25-28.

Staff supported the Company's revised COG rates. Tr. at 31. Staff stated that the recent NYMEX futures average prices for non-hedged supplies used by Northern in the updated cost of gas forecast provided a fair representation of market conditions. Tr. at 31. Staff also stated that Northern's forecasts appeared reasonable and consistent with past practices, and that the Company's supply plan integrated actual costs for hedged supplies and recent NYMEX futures average prices for non-hedged supplies. Tr. at 32. Finally, Staff confirmed that, as with prior COG dockets, the rate was subject to reconciliation, and that should a problem arise, it may be addressed in next summer's COG filing. Tr. at 32-33. Staff also noted that certain minor discrepancies in the COG filing discovered by Staff would be corrected by the Company prior to the first monthly over and under reconciliation report. Tr. at 32-33. Staff also commended Northern for its ongoing efforts in working with Staff to improve the formatting of its COG reports, and expressed the expectation that the Company would continue to make progress in this regard. Tr. at 33.

III. COMMISSION ANALYSIS

Based on our review of the record in this docket, we approve the revised 2011 summer season COG rates as just and reasonable pursuant to RSA 378:7. The proposed rates, as revised, represent current market data. Northern's forecasts of sales and costs appear reasonable and consistent with prior COG filings. We note also that pursuant to *Northern Utilities*, Order No. 24,961 (April 30, 2009), the approved rates may be adjusted monthly without further

Commission action in order to eliminate or reduce projected over or under recoveries in a timely and efficient manner, although rate increases are limited to no more than twenty-five percent of the approved rates. Thus, monthly COG rates can be adjusted to reflect actual costs and revised cost projections throughout the period while limiting rate increases.

Based upon the foregoing, it is hereby

ORDERED, that Northern’s 2011 summer season COG rates for the period May 1, 2011 through October 31, 2011 are **APPROVED** as set forth in this Order, effective for service rendered on or after May 1, 2011 as follows:

	Cost of Gas	Maximum COG
Residential	\$0.6673	\$0.8341
C&I, low winter use	\$0.5975	\$0.7469
C&I, high winter use	\$0.7234	\$0.9043

and it is

FURTHER ORDERED, that Northern may, without further Commission action, adjust the COG rates based upon the projected over-/under-collection for the period, the adjusted rate to be effective the first of the month and not to exceed a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

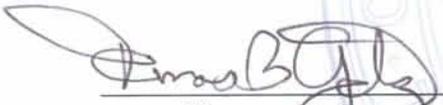
FURTHER ORDERED, that Northern shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five (5) business days prior to the first day of the

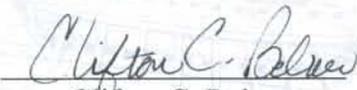
Gas Adjustment and revised rate schedules under separate cover letter if Northern elects to adjust the COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

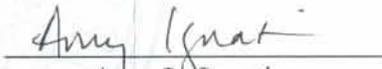
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the monthly prime lending rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates; and it is

FURTHER ORDERED, that Northern shall file properly annotated tariff pages in compliance with the 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 twenty-ninth day April, 2011.



Thomas B. Getz
Chairman

Clifton C. Below
Commissioner

Amy L. Ignatius
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary