

DG 02-048

NEW HAMPSHIRE GAS CORPORATION

2002 Summer Cost of Gas

Order Approving the Cost of Gas Rate

O R D E R N O. 23,956

April 30, 2002

APPEARANCES: Ransmeier & Spellman by Lisa M. Barton, Esq., on behalf of New Hampshire Gas Corporation; and Marcia A.B. Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 28, 2002, New Hampshire Gas Corporation (NHGC), a public utility engaged in the business of distributing gas in Keene, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) rate for the period May 1, 2002 through October 31, 2002. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Mark A. Cole, General Manager for NHGC.

An Order of Notice was issued on April 1, 2002 setting a hearing for April 19, 2002. NHGC informed customers of the impending change by publishing a copy of the Order of Notice in the Keene Sentinel on April 4, 2002.

There were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on

April 19, 2002.

II. POSITIONS OF THE PARTIES AND STAFF

A. New Hampshire Gas Corporation

NHGC witness Mark A. Cole, General Manager, addressed the following issues: 1) calculation of the COG rate and the impact on customer bills; 2) reasons contributing to the increased rate; and 3) gas supply purchasing policies.

1. Calculation of the COG Rate and Customer Impact

The proposed 2002 Summer COG rate of \$0.6383 per therm was calculated by increasing the anticipated cost of gas of \$147,494 by a prior period under-collection and related interest of \$2,959 and dividing the resulting anticipated costs of \$150,454 by projected therm sales of 235,720.

NHGC's proposed 2002 Summer COG rate of \$0.6383 per therm represents a decrease of \$0.1135 per therm from the 2001 weighted average Summer COG rate of \$0.7518 per therm.

The proposed 2002 Summer COG rate was calculated by using the projected per unit cost of propane based on the futures prices posted on the New York Mercantile Exchange multiplied by the unhedged anticipated demand and added to the cost of the hedged supplies. The calculation used the settlement prices for March 26, 2002, for the months of May 2002 through October 2002, plus brokers' fees and pipeline

transportation fees.

The impact of the proposed 2002 Summer COG rate is a decrease in the typical residential heating customer's summer gas costs of \$30, an 8% decrease compared to last summer.

2. Factors Contributing to the Decreased COG

While there was a slight decrease in the under collection and related interest, from \$7,655 in the 2001 Summer COG rate calculation to \$2,959 to be recovered in the 2002 Summer COG rate, the primary reason for the lower summer COG rate was a decrease in the actual and projected propane prices for this summer period compared to actual propane prices in the summer of 2001.

3. Gas Supply Purchasing

NHGC pre-purchased approximately 40% of its projected demand for the 2002 summer period. NHGC made the purchases to take advantage of relatively low prices and to limit the risk of possible price spikes due to the political uncertainties related to oil and propane supplies. NHGC locked in a rate of \$0.4174 per gallon, which compares favorably to the market price of \$0.4709 per gallon for the unhedged supplies at the time of the filing, based on futures prices as reported on the New York Mercantile Exchange.

B. Staff

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate, noting that fuel purchasing for the period is consistent with prior periods and that the 2002 Summer gas costs would be reconciled and reviewed during NHGC's 2002 Summer period COG proceeding.

III. COMMISSION ANALYSIS

After review of the record in this docket, we find that NHGC's proposed COG rate will result in just and reasonable rates. Accordingly, we accept and approve NHGC's proposed 2002 Summer COG rate.

Based upon the foregoing, it is hereby

ORDERED, that NHGC's proposed Summer COG rate of \$0.6383 per therm for the period May 1, 2002 through October 31, 2002 is APPROVED effective for bills rendered on or after May 1, 2002; and it is

FURTHER ORDERED, that NHGC may, without further Commission action, adjust the approved Winter COG rate of \$0.6383 per therm upward or downward monthly based on NHGC's calculation of the projected over or under collection for the period, but the cumulative adjustments shall not vary more than twenty percent (20%) from the approved unit cost of gas (or \$0.1277 per therm); and it is

FURTHER ORDERED, that NHGC 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. NHGC shall include a revised tariff page 24 - Calculation of Cost of Gas and revised rate schedules if NHGC elects to adjust the COG rate; and it is

FURTHER ORDERED, that the over or under collection shall accrue interest at the Prime Rate as reported in the *Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

FURTHER ORDERED, that NHGC 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.

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