STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NEW ENGLAND GAS COMPANY'S :
TRANSITIONAL SALES SERVICE TARIFF : DOCKET NO. 3436

REPORT AND ORDER

In Order No. 17444, the Rhode Island Public Utilities Commission directed New England Gas ("NEGas") and the Division of Public Utilities and Carriers ("Division") to file either jointly or separately, a proposal to address the problem of transportation customers migrating to firm sales service when the firm sales rate is below the market price available to transportation customers. On June 26, 2003, NEGas submitted pre-filed testimony by Peter Czekanski, its Director of Pricing. Mr. Czekanski explained that currently, transportation customers can return to sales service with at least 30 days advance notice, subject to the incremental supply cost necessary to provide firm sales service. He noted NEGas' objective is to minimize any cost impact on existing firm sales customers resulting from transportation customers migrating to firm sales service.

Because reverse migration loads are not factored into NEGas' gas procurement incentive plan, NEGas recommended a monthly surcharge mechanism to be billed customers who migrate from transportation service to firm sales service. Mr. Czekanski explained that the surcharge would be designed to recover a market-based price reflecting the cost for the incremental amount of gas that NEGas must buy outside of its gas procurement incentive plan. The surcharge would equal the NYMEX cost of gas less the embedded cost of gas purchased under NEGas' gas procurement incentive plan. It would be applied to reverse-migration customers from September 1 through April 30 of each year, after which time, the customers would become a regular firm sales customer.[1]

On August 15, 2003, the Division submitted pre-filed testimony by Bruce Oliver, an outside consultant. Mr. Oliver found NEGas' approach to a surcharge to be reasonable but in need of some modifications and refinements. For FT-2 customers, Mr. Oliver suggested that the more notice a customer gives that it will return to firm sales service, the more the surcharge should be reduced. For FT-1 customers, Mr. Oliver recommended that once an FT-1 customer transfers to firm sales service, the customer becomes responsible for the full annual cost of storage and peaking. Lastly, Mr. Oliver proposed revisions to NEGas' draft tariff language.[2]

On August 29, 2003, NEGas filed its proposed Transition Sales Service ("TSS") tariff. NEGas indicated that the Division supported the proposal. This proposal created a monthly surcharge or credit for reverse-migration customers. This surcharge is designed to reflect the difference between the gas procurement incentive plan cost of gas for the month in which gas is supplied and a market-based gas price for the same month. This surcharge would be in effect after the customer starts taking firm sales service until April 30th or until the customer commits to take firm sales service for at least one year.[3]

After published notice, a public hearing was conducted on September 29, 2003 at the Commission's offices at 89 Jefferson Boulevard, Warwick, Rhode Island. The following appearances were entered:

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[1] NEGas Ex. 03-1 (Czekanski's direct testimony 6/26/03) pp. 20-24.
[2] Division, Ex. 03-1 (Oliver's direct testimony 8/16/03), pp. 17-32.
[3] Joint Ex. 03-1.

FOR NEGAS:	Craig Eaton, Esq.
FOR DIVISION:	Paul Roberti, Esq. Assistant Attorney General
FOR COMMISSION:	Steven Frias, Esq. Executive Counsel

At the hearing, NEGas and the Division indicated that they did not object to the elimination of the credit provision in the TSS Tariff.[4] At the hearing, the Commission adopted the TSS Tariff with the modification that the credit provision in the tariff be eliminated. The TSS Tariff as modified by the Commission is in the public interest because it protects firm sales customers from paying higher gas costs due to the reverse migration of transportation customers.

Accordingly, it is

(17590) ORDERED:

1. The Transitional Sales Service Tariff filed August 29, 2003 is adopted with the modification that the credit provision be eliminated. The tariff will be effective October 1, 2003.

[4] Tr. 9/29/03, pp. 64-66.

EFFECTIVE AT WARWICK, RHODE ISLAND OCTOBER 1, 2003, PURSUANT TO A BENCH DECISION ON SEPTEMBER 29, 2003. WRITTEN ORDER ISSUED OCTOBER 27, 2003.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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Kate F. Racine, Commissioner

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Robert B. Holbrook, Commissioner