STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

NATIONAL GRID'S GAS COST	:	
RECOVERY CHARGE	:	DOCKET NO. 3766

REPORT AND ORDER

I. NGRID'S SEPTEMBER 1, 2006 FILING

On September 1, 2006, National Grid ("NGrid"), proposed decreases in its Gas Cost Recovery ("GCR") rates for effect November 1, 2006.[1] Specifically, NGrid proposed to decrease its GCR rates on a per therm basis to: $1.1301 for residential and small commercial and industrial ("C&I") customers; $1.1238 for medium C&I customers; $1.1383 for large low load factor C&I customers; $1.0913 for large high load factor C&I customers; $1.1313 for extra large low load factor C&I customers; and $1.0766 for extra large high load factor C&I customers. For a typical NGrid residential heating customer consuming 1,035 therms, this would result in a 3.9 percent decrease, or approximately $66 per year, for a total bill of $1,635 per year.[2]

In support of its filing, NGrid submitted the pre-filed testimonies of Peter Czekanski, a Pricing Analyst for NGrid, and Gary Beland, Manager of Gas Supply for NGrid in Rhode Island.[3] Mr. Czekanski stated that the GCR rates are intended to recover $304.3 million in costs from November 2006 through October 2007. He explained that the five gas cost components for the GCR are supply fixed costs, storage fixed costs,

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[1] On August 24, 2006, the Narragansett Electric Company, doing business as National Grid, acquired the assets and gas business of Southern Union Company in Rhode Island, doing business as New England Gas Company.

[2] This bill impact analysis incorporates NGrid's proposed reduction in the Distribution Adjustment Clause ("DAC") factors effective November 1, 2006. The proposed increase in DAC factors reduced the proposed overall decrease by $4.00.

[3] The filing also included a motion by NGrid for protective treatment of confidential information associated with certain prices and fees of the Distrigas contract and the ConocoPhilips contract because the information is competitively sensitive. No objection was received, and thus, the presiding Commissioner, Chairman Germani granted the motion.

supply variable costs, storage variable product costs, and storage variable non-product costs. He indicated that NGrid's current estimate of the gas cost over-collection through October 31, 2006 is $18,635,065. Mr. Czekanski stated that the Natural Gas Vehicle ("NGV") rate reflects the supply variable costs included in the GCR rate and will be $0.8680 per therm. He also proposed changes to various gas marketer charges and factors, specifically, $0.0469 per therm for the FT-2 Firm Transportation Marketer Gas Charge, $0.0024 per percent of balancing elected per therm for pool balancing charges, and $0.1257 per therm of capacity for the weighted average upstream pipeline transportation cost.[4]

In his pre-filed testimony, Mr. Beland discussed the estimated gas costs and the results of the Gas Purchasing Incentive Plan ("GPIP") as well as the Asset Management Incentive Plan. Mr. Beland stated that the GCR factors are based on prices for gas purchases locked under the GPIP and any non-locked purchases are based on the NYMEX strip as of the close of trading on August 10, 2006. He stated that the GPIP requires NGrid to start locking in future gas prices over a 24 month horizon and these purchases are made in a structured series of monthly increments. Mr. Beland indicated that this dollar cost-averaging approach ensures that gas rates are less susceptible to short-term substantial price swings, but still gives NGrid the ability to make discretionary purchases when market prices appear favorable.[5]

Regarding the increases in natural gas prices, Mr. Beland explained that gas prices have increased because of the tightness in world oil supply, the unusually hot summer, and the inability to find and put new gas supplies into production. He stated that the

[4] NGrid Ex. 1 (Czekanski's direct testimony), pp. 3-7.
[5] NGrid Ex. 2 (Beland's direct testimony), pp. 3-5.

tightness in oil supply is the result of continuing increases in demand, particularly in China and India. Furthermore, he indicated that in addition to oil supply issues, electric demand is increasing and the large numbers of new gas-fired electric generation plants are increasing the demand for natural gas. Mr. Beland pointed out that due to the hot summer, for the first time gas use for electric generation was so great that during two weeks in July, there were net withdrawals from storage. He asserted that gas production has dropped over the last couple of years despite record levels of drilling. Also, he stated that new LNG supplies have been slow to develop. However, Mr. Beland noted that the GPIP has moderated the GCR increase. Last year, the savings realized in November, December and January alone equaled $34 million based on a comparison of the final monthly NYMEX closing price and the price at which the company purchased the gas. For instance, he noted that NGrid has locked in 70 percent of gas supplies forecasted for winter deliveries either through the lock-in of purchase cost or through purchase and injection into storage.[6]

In discussing the GPIP, Mr. Beland stated that NGrid makes mandatory purchases beginning 24 months prior to the start of each month and ending four months before delivery. The mandatory purchases form the benchmark price for the incentive calculation. He stated that in all months, except in April and October, 70% of all projected purchases must be made four months before the month of delivery. If the cost of discretionary purchases is made below the benchmark price, NGrid receives an incentive, but if the cost of discretionary purchases is made above the benchmark, NGrid incurs a penalty. Mr. Beland estimated an $114,548 incentive was earned for the 12 month period ending June 30, 2006. NGrid proposed a few edits to the GPIP to be

[6] Id., pp. 5-7.

consistent with the changes made to the GPIP in 2005. Mr. Beland also calculated the estimated reduction in fixed costs to be $1,174,412 which results in an asset management incentive of $234,882 for NGrid. Lastly, Mr. Beland indicated that NGrid will exclude LNG used on an economic dispatch basis from the calculation of pressure support costs.[7]

II. DIVISION

On October 12, 2006, the Division of Public Utilities and Carriers ("Division") submitted the pre-filed testimony of Bruce Oliver, an outside consultant. Mr. Oliver stated that NGrid's GCR filing depicts a 3.4% decline in total fixed gas supply costs and an 8.4% reduction in total variable gas supply costs. Since NGrid's original GCR filing, Mr. Oliver indicated that NYMEX prices for natural gas have fallen. However, Mr. Oliver did not believe that the recent decline in natural gas prices signal a change in long-term gas prices. He explained that gas prices for the upcoming winter of 2006 to 2007 are significantly below estimated winter prices for subsequent winters. He asserted that comparatively high pricing for the winter of 2008-2009 and 2009-2010 tend to correlate closely with speculation trading in the face of actual or anticipated energy supply disruption or large demand uncertainties. He noted, however, that warmer than normal weather during the coming winter could prolong the period of atypically low near-term natural gas prices. As for storage, Mr. Oliver stated that the U.S. will enter the winter heating season with full storage inventories due to the mild winter and spring of 2006, a reduction in gas usage by customers in response to high prices, and a lack of supply disruption this fall. Mr. Oliver expected NGrid to achieve full storage capacity levels prior to the start of the coming winter season.[8]

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[7] Id., pp. 16-20.
[8] Div. Ex. 1 (Oliver's direct testimony) pp. 5-11.

Utilizing the NYMEX natural gas prices at the close of trading on October 3, 2006, Mr. Oliver calculated that gas costs would decrease by over $22.1 million in NGrid's projected gas costs for the 2006-2007 GCR year. Mr. Oliver did not recommend NGrid's GCR reflect more current NYMEX pricing because he anticipated that natural gas prices would remain highly volatile. He noted the GCR rate already includes a sizeable reduction of an over-collection and that the disappearance of this over-collection will cause a potential upward adjustment in the GCR rates for next winter. In the alternative, Mr. Oliver suggested that NGrid may provide a one-time refund to customers of the over-collection without lowering the GCR rate, or utilize a portion, such as 50 percent, of the estimated reduction resulting from using more current NYMEX gas prices, which would leave a buffer against increases in gas prices.[9]

Mr. Oliver found that NGrid has properly calculated the GCR charges, however, he had some reservation regarding the appropriateness of the forecasted measures of gas use relied upon by NGrid in its GCR filing. Mr. Oliver noted that NGrid's forecasted weather normal sales for the 2006-2007 GCR period are 5 percent below comparable projections made for the 2005-2006 GCR period, but NGrid did not explain this important change. Furthermore, Mr. Oliver explained that NGrid's forecasted weather normal sales for the winter months have fallen by 6.6 percent while forecasted weather normal sales for non-winter months have declined by only 1.7 percent. Mr. Oliver pointed out that NGrid's Long Range Gas Supply Plan filed on August 22, 2006 is based on the sales forecast for the 2005-2006 GCR period, and therefore, it does not reflect the decline in normal weather gas usage experienced over the last year. As a result, the amount of capacity for which costs are included in NGrid's 2006-2007 GCR projections

[9] Id., pp. 11-14.

may exceed that which is actually required to reliably serve NGrid's firm service customers under design winter conditions. Mr. Oliver recommended that the Commission continue this proceeding to provide a more in-depth examination of NGrid's latest Long Range Gas Supply Plan and the influence of NGrid's long range gas supply planning on its current portfolio of gas supply assets, as well as the level of fixed costs to be included in GCR rates. Mr. Oliver had various concerns with NGrid's Long Range Gas Supply Plan. First, NGrid's data used to compute its design day criteria is from the winter of 1940-1941 to the winter of 1993-1994. Mr. Oliver explained that the exclusion of data for more recent years could bias NGrid's planning towards an overstatement of NGrid's capacity requirements. Also, Mr. Oliver indicated that NGrid made no attempt to reconcile its estimates of design day demand with estimates of demand by rate class. He noted that analysis by PG Energy, a former sister company of the former New England Gas, indicated that its residential heating customers' peak day demands had declined faster than the decline in overall sales for that class. As a result, there was a noticeable improvement in the residential class load factor. Lastly, Mr. Oliver noted that NGrid had provided none of the numeric detail or assumptions underlying its long-run avoided cost ("LRAC") analysis for its one in one hundred year planning criteria. He recommended that because of changing climate conditions and the increasing costs of gas and pipeline capacity, NGrid's LRAC analysis warrants more careful review.[10]

Regarding the GPIP, Mr. Oliver indicated that the pattern of mandatory gas purchases was not as regular and predictable due to changes in the GPIP and the extraordinary measures that were taken as a result of Hurricanes Katrina and Rita in the fall of 2005. In general, Mr. Oliver was satisfied that the company's mandatory and

[10] Id., pp. 14-20.

discretionary purchases have been segregated properly and the GPIP incentive was accurately computed. Mr. Oliver did note that in five minor instances discretionary purchases were completed before all mandatory purchases made in that month were executed. However, Mr. Oliver stated that these purchases were a "rounding purchase", which rounds out a mandatory purchase to the nearest 100th Dth of purchased daily volume. Mr. Oliver concluded that these rounding purchases had no material impact on the overall amount of the incentive for the company, but he recommended that going forward all mandatory purchases be rounded to the next highest 100th Dth of purchased daily volume.[11]

As for the asset management incentive, Mr. Oliver stated that the company's calculation of the incentive was correct. Mr. Oliver noted that the asset management incentive is dependent on approval of the levels for NGrid's fixed supply costs and fixed storage costs as well as pipeline, storage and peak resources reasonably consistent with meeting NGrid's design winter and design peak day supply requirements. With significant declines in forecasted weather normal through-put in NGrid's GCR filing, Mr. Oliver indicated that the appropriateness of NGrid's gas supply capacity, fixed supply costs and fixed storage costs should be examined. Mr. Oliver stated he was not in a position to provide the Commission with an opinion on the appropriateness of NGrid's fixed supply costs or fixed capacity or the possible need for adjustments to NGrid's asset management incentive for the GCR period ending October 31, 2007. In particular, Mr. Oliver was concerned that NGrid's long-range gas supply plan is premised in part on the assumption that any costs of excess capacity will be returned to customers through capacity releases to off-system customers. However, Mr. Oliver stated that NGrid did not

[11] Id., pp. 20-23.

provide explicit data or analysis as to the amount of excess capacity under design winter conditions for the 2006-2007 GCR year or the expected value of capacity release revenue to be derived from off-system customers under design winter conditions. As a result, Mr. Oliver questioned the need to provide NGrid an asset management incentive to reduce excess capacity costs. As an alternative, Mr. Oliver suggested that NGrid could be at risk for the recovery of excess capacity costs.[12]

Mr. Oliver stated that NGrid's GCR reconciliation appears accurate, but he did note a very small difference between how NGrid calculated total firm through-put for the DAC and how it calculated the GCR. Also, Mr. Oliver indicated that NGrid should be required to use its actual short-term debt rates in its gas cost reconciliation accounts because NGrid's monthly short-term debt rates are lower in most months than the Bank of America's Prime Rate currently used to compute gas costs for over and under recovery balances. Lastly, Mr. Oliver asserted that the average weather normalized annual gas use per customer for the twelve months ending June 30, 2006 was higher than what NGrid represents as usage for a typical customer. For example, an average residential heating customer of NGrid used 1,164 therms for the year ending June 30, 2006, but NGrid computed bill impacts for a residential heating customer using 1,035 therms. Mr. Oliver encouraged NGrid to update its measure of a typical customer's usage and expand the range of gas use for which bill comparisons are computed.[13]

[12] Id., pp. 24-26.
[13] Id., pp. 26-30.

III. HEARING

Following published notice, a public hearing was conducted on October 25, 2006 at the Commission's offices at 89 Jefferson Boulevard, Warwick, Rhode Island. The following appearances were entered:

FOR NGRID:	Laura Olton, Esq.
FOR THE DIVISION:	Paul Roberti, Esq. Assistant Attorney General
FOR THE COMMISSION:	Steven Frias, Esq. Executive Counsel

At the hearing, NGrid presented as its witnesses, Mr. Czekanski and Mr. Beland. Mr. Czekanski stated that NGrid did not support a one-time refund mechanism for the GCR, but NGrid could support Mr. Oliver's alternative approach to reduce the GCR rates by a certain amount. Mr. Beland stated that any issues related to NGrid's Long Range Gas Supply Plan should be dealt with in a separate proceeding. However, Mr. Beland did agree with Mr. Oliver's recommendation to require all mandatory gas purchases under the GPIP to be rounded to the next highest hundred decatherm of purchased daily volume.[14] Under cross-examination by the Commission, Mr. Beland indicated that NYMEX gas prices have decreased since NGrid made its GCR filing on September 1, 2006, and Mr. Czekanski stated that the over-collection in the gas cost account increased from $18.6 million to $21.3 million since the GCR filing was made. Based on recent NYMEX gas prices and the updated gas cost over-collection, Mr. Czekanski estimated that NGrid's projected gas costs could be lowered an additional $20 million or approximately an additional 4 percent. Also, Mr. Czekanski indicated that because there is an over-collection in gas costs, ratepayers receive interest on the over-collection, and

[14] Tr. 10/25/06, pp. 25-27.

that if the interest rate charged to the account is higher than the company's actual short-term debt interest rate, the higher interest rate benefits the ratepayers. Furthermore, Mr. Czekanski stated that any change in NGrid's short-term debt interest rate for reconciliation accounts should be addressed when NGrid files its gas distribution rate plan.[15]

From the inception of the gas purchasing plan, Mr. Beland estimated approximately $62 million in savings for ratepayers based on a comparison of the final monthly NYMEX closing price and the price at which the company purchased the gas. Mr. Beland agreed that there is greater likelihood for an upward spike in gas prices than there is the possibility of a decrease in gas prices. Mr. Beland explained that gas has an inelastic demand which can cause a spike in prices, but there is a limit to how low gas prices can drop due to costs required to drill for gas. Also, Mr. Beland concurred that the gas purchasing plan is designed to protect ratepayers from upward spikes in gas prices, but it is not designed to capture the lowest price in the gas market. In addition, Mr. Beland agreed that in a rising market for gas, it is generally better to buy gas earlier in time than to wait closer to the time of actual use. Mr. Beland stated that NGrid is considering utilizing financial hedges to some degree for gas procurement in Rhode Island. Also, Mr. Beland agreed that NGrid could seek to change or request relief from the gas purchasing plan in order to make gas purchases, which would promote the overall goal of rate stability.[16]

Regarding the issue of bill impact analysis, Mr. Czekanski explained that the 1,035 therms standard for a typical residential heating customer was derived from the

[15] Id., pp. 86-88, 93-94.
[16] Id., pp., 95-100, 103-105.

distribution rate case in 2002 and is the median for the company's heating customers. However, Mr. Czekanski stated that NGrid could expand the table to show the bill impact over a wider range of customers even though the percentage changes in bills are not significant.[17] On re-direct examination, Mr. Beland stated that NGrid would agree to set the benchmark for the asset management incentive after a review of the Long Range Gas Supply Plan.[18]

The Division presented Mr. Oliver as its witness. Under direct examination, Mr. Oliver encouraged the Commission not to reduce the GCR rates to the maximum extent possible based on current gas prices but instead retain a buffer in gas costs so as to avoid raising rates next year in order to pay for a possible under-collection as well as any potential increases in gas costs. Under cross-examination by the Commission, Mr. Oliver asserted that natural gas is in a long-term rising market, and thus, if the Commission implemented the maximum GCR decrease now it is more likely that there will be a request for a GCR increase next year. Mr. Oliver concurred that current gas prices for next winter are below what should be expected next winter and he would try to take advantage of it. Also, Mr. Oliver indicated that he has been very favorably impressed with the overall results of the gas purchasing plan.[19]

In addition, Mr. Oliver encouraged further examination of the asset management incentive as well as the Long Range Gas Supply Plan. However, he recommended that the asset management incentive for this GCR period could go into effect, but that for future GCR periods, the asset management incentive needs to be reviewed along with the Long Range Gas Supply Plan. Also, Mr. Oliver stated it was time to update the billing

[17] Id., pp. 111-112.
[18] Id., p. 143.
[19] Id., pp. 147-152, 157-159.

impact statistics used by the company and utilize both mean and median statistics. Furthermore, Mr. Oliver stated that it is likely there will be some GCR increase next year because the price of purchased gas for next winter is higher than the current winter. As a result, Mr. Oliver concurred that it would be appropriate for the company to make significant incremental gas purchases for next winter, since the price for next winter is currently trading below this winter's cost of gas as well as below the price for gas already purchased for next winter, even if it required some adjustment to how the company made mandatory gas purchases.[20]

IV. POST-HEARING

On October 31, 2006, NGrid filed a response to the Commission's data requests indicating what the GCR rates would be if the most recent gas cost over-collection amount, the most recent gas purchases, and the November 2006 closing gas prices were utilized to calculate the GCR rates.[21] At an open meeting on October 31, 2006, the Commission approved GCR rates based on NGrid's October 31, 2006 data response and decreased the GCR rate by 5.4 percent or $92 a year for a NGrid residential heating customer using 1,035 therms per year.

COMMISSION FINDINGS

The Commission is pleased that this year it is able to lower the GCR rate by approximately 5.4 percent for a typical residential heating customer. This rate decrease provides some relief to ratepayers after the 17.3 percent increase in the GCR rate in November 2005. Although last year's GCR rate increase was less than proposed by NEGas, the Commission's balanced rate setting approach to approve a smaller rate

[20] Id., pp. 159-174.
[21] NGrid's PUC Data Resp. 1 (10/31/06).

increase proved to be successful because the $13.2 million under-collection did not increase and, in fact, was eliminated.

In the past, the Commission has stated it "cannot be held prisoner to worst case scenarios."[22] Likewise, the Commission cannot delude itself with rosy scenarios. Although gas prices have recently decreased, there is no assurance that there will not be a price spike necessitating a GCR rate increase for November 2007. Accordingly, the Commission approved a larger GCR rate decrease than proposed by NGrid, but it did not lower rates to a greater extent at this time. In the past, after dramatic increases in energy rates, the Commission has "gradually reduced" energy rates as natural gas prices declined. In essence, the Commission does "not want to implement a rate decrease which would only require the Commission to eventually increase the same rate if there was a rise in natural gas and oil prices."[23] Hopefully, this approach by the Commission will shield ratepayers and provide a cushion in case of any price spikes in the near future while providing the opportunity for a stable rate, if not a rate decrease, for winter 2007-2008.

The gas purchasing plan approved by the Commission has protected ratepayers from price spikes and promoted rate stability. It has saved ratepayers approximately $62 million.[24] NGrid's purchasing plan procures gas as much as 24 months before delivery, which in a rising gas market produces savings and stability for ratepayers. However, the Commission is aware that the natural gas market is volatile and prices can fluctuate in both directions. In the past, the Commission has declared that "in a rising market, it is logical to make gas purchases when the price momentarily dips below the gas prices

[22] Order No. 18521.
[23] Order No. 18794.
[24] Tr. 10/25/06, p. 95.

embedded in the GCR rates. This purchasing approach would lead to a more stable GCR rate. Thus, NEGas is encouraged to and, if necessary, request flexibility from the Commission to make gas purchases that will help to maintain the current GCR rate." [25] During the hearing, witnesses for NGrid and the Division both appeared to agree with making additional gas purchases to take advantage of the recent price dip in natural gas.[26] Fortunately for NGrid and its ratepayers, NGrid, with the concurrence of the Division, accelerated a portion of the mandatory purchases under the GPIP for next winter, November 2007 to March 2008, because gas prices dropped significantly below those embedded in the current GCR rates.[27] These recent purchases, combined with the current projected gas costs over-collection of $15 million for October 2007, could prove sufficient to avoid a GCR rate increase for November 2007.[28]

There were a few other issues raised during this proceeding. First, the Division raised various concerns regarding NGrid's Long Range Gas Supply Plan. As a result, the Commission has opened a docket and will review NGrid's Long Range Gas Supply Plan and, if necessary, make modifications to NGrid's Asset Management Incentive to ensure that it is properly calculated and that ratepayers are not being burdened with excess capacity costs for the next GCR period. Second, the Division raised an issue regarding the short-term debt interest rate applied to the gas cost reconciliation account. However, it is clear that the gas cost reconciliation account is currently in an over-collection status. Therefore, if the short-term debt rate applied to the account balance is higher than the

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[25] Order No. 18273.
[26] Tr. 10/25/06, pp. 100-105, 157-158, and 172-173.
[27] NGrid's letter (1/9/07). The average unit cost of all accelerated purchases for November 2007 to March 2008 was $8.63 or $1.53 less than the $10.16 average for all mandatory purchases made prior to January 2007 for the same timeframe. NGrid's GCR Semi-Annual Report on GPIP (2/1/07). Similarly, in the past, NEGas was permitted not to make mandatory gas purchases when gas prices were abnormally high due to Hurricanes Katrina and Rita (Order No. 18521).
[28] See NGrid's GCR Monthly Report (2/20/07).

company's actual short-term debt rates, the difference accrues to the benefit of the ratepayers. Under these circumstances, the issue of the short-term interest debt rate applied to NGrid's reconciliation account can be deferred until NGrid files its gas distribution rate plan later in 2007. Third, the Division raised concerns regarding the billing impact analysis used by NGrid. The Division has raised a valid issue, and NGrid is encouraged to provide a billing impact analysis utilizing a mean calculation of recent usage in future reconciliation filings. However, in the meantime, the use of the 1,035 therm standard for typical residential heating customers can be continued for the sake of simplicity and comparison with prior GCR rates. Furthermore, the percentage decreases are very similar despite the level of therm usage. In any case, this issue can also be further reviewed when NGrid files its gas distribution plan in 2007. Accordingly, the Commission approved the GCR rates filed on October 31, 2006, which decreased annual gas billings by 5.4 percent for a residential heating customer using 1,035 therms per year, a decrease of $92 per year, for a total bill of $1,609 per year.[29]

Accordingly, it is

(18879) ORDERED:

1. The Gas Cost Recovery factors, set forth on a per therm basis, of: $1.1048 for residential and small commercial and industrial customers; $1.0985 for medium commercial and industrial customers; $1.1130 for large low load factor commercial and industrial customers; $1.0659 for large high load factor customers and industrial customers; $1.1059 for extra large low load factor commercial and industrial

[29] In addition, in Docket No. 3696, at an open meeting on April 26, 2006, the Commission approved a Btu conversion factor of 1.023 for the period May 1, 2006 to October 31, 2006. Also, at an open meeting on October 23, 2006, the Commission approved a Btu conversion factor of 1.024 for the period November 1, 2006 to April 30, 2007.

customers; and \$1.0513 for extra large high load factor commercial and industrial customers, are approved for effect November 1, 2006.

2. The Gas Marketer Transportation factors of: \$0.0469 per therm for FT-2 Firm Transportation Marketer Gas Charge; \$0.0024 per percent of balancing elected per therm for Pool Balancing Charge; and a weighted average upstream pipeline transportation cost of \$0.1257 per therm of capacity are approved for effect November 1, 2006.

3. The Natural Gas Vehicle Rate of \$0.8426 per therm is approved for effect November 1, 2006.

4. National Grid shall comply with the reporting requirements and all other findings and directives contained in this Report and Order.

EFFECTIVE IN WARWICK, RHODE ISLAND PURSUANT TO OPEN MEETING DECISION ON OCTOBER 31, 2006. WRITTEN ORDER ISSUED FEBRUARY 22, 2007.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Robert B. Holbrook, Commissioner

Mary E. Bray, Commissioner