STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NEW ENGLAND GAS COMPANY ANNUAL GAS CHARGE FILING — DOCKET NO. 1673

REPORT AND ORDER

On August 31, 2001, the New England Division of Southern Union, successor to Providence Gas Company, n/k/a New England Gas Company ("Company" or "NE Gas") filed its annual Gas Charge Clause ("GCC") filing with the Public Utilities Commission ("Commission"), pursuant to the Providence Gas Company Tariff RIPUC PGC No. 100. The filing proposed changes in the Company's transportation-related GCC factors for the FT-1 and FT-2 Firm Transportation Marketer Gas Charge and the Weighted Average Upstream Pipeline Transportation Cost. Also, the filing set forth: the upstream pipeline transportation paths availability for capacity release, the annual surcharges/credits for each path, and the operational parameters associated with the Storage and Peaking Resources to be in effect from November 2001 through June 2002. The Company indicated that the filing was for effect at November 1, 2001 and is consistent with the tariff provisions in RIPUC PGC No. 100. NE Gas noted that it was proposing no changes in firm sales service rates and associated gas throughput charges because these GCC factors were previously established in Docket Nos. 1673 and 1736 for effect through June 30, 2002.[1]

In support of this filing, the Company submitted the prefiled testimony of Peter Czekanski, the Director of Pricing for NE Gas. Mr. Czekanski outlined the proposed changes:

- A decrease in the FT-2 Firm Transportation Marketer Gas Charge from $0.0491 per Ccf to $0.0322 per Ccf;
- A decrease in the Pool Balancing Charge from $0.0018 to $0.0016 per % of balancing elected per Ccf; and
- A decrease in the Weighted Average Upstream Pipeline Transportation Cost from $1.076 per MMBtu to $0.928 per MMBtu.

NE Gas has made available to marketers 20,000 MMBtus per day of transportation on six different pipeline paths. According to Mr. Czekanski, marketers are allowed to select the path or paths upon which they choose to acquire capacity. Each of the six paths has a specific surcharge or credit that is designed to result in the same average weighted price being charged for all upstream transportation. When the surcharge / credit is combined with the charges that the marketer pays directly to the pipeline, the resulting transportation cost is the same cost regardless of the path selected. The upstream weighted average transportation cost, as presented in this filing, is $0.928 per MMBtu,

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[1] Pre-Filed Testimony of Peter C. Czekanski, pp. 1-3. See Order No. 16745 (issued October 17, 2001).

representing a reduction of $0.148 per MMBtu from the price in effect since November 2000.[2]

The provision of FT-2 service requires a marketer to assume a proportion of the Company's underground storage capacity and peaking inventory supply. Marketers adding new customers have the option of purchasing inventory for underground storage under the rate set by this filing. The filing presented an 'estimated' rate for underground storage inventory of $4.299 per MMBtu, representing a reduction of $.402 per MMBtu from the price in effect since November 2000. NE Gas uses a market-based formula to determine the pricing of underground storage. This mechanism uses NYMEX index prices for the months of April through October to calculate the storage inventory cost. This cost is then adjusted for storage injection, transportation and carrying charges. At the time of this filing the 'estimated' rate reflected storage costs based on five months of actual data and two months of projected data. The actual rate to marketers will be adjusted to reflect seven months of actual prices.[3]

The peaking inventory rate is based on LNG inventory pricing. Mr. Czekanski indicated that NE Gas's estimated weighted average cost of LNG inventory at the end of October 2001 was $6.473 per MMBtu and would be the basis for any inventory sold to marketers effective

[2] Id. at 6-8, NE Gas Exhibit 1, Schedules PCC-2 and PCC-3.
[3] Pre-Filed Testimony of Peter C. Czekanski, pp. 7-9, NE Gas Exhibit 1, Schedules PCC-4, PCC-5

November 1, 2001.[4] Finally, Mr. Czekanski explained that the methodology established in Item 5.2 of the GCC, the Pool Balancing Charge, was being updated to reflect the current relevant Fixed and Storage Cost components, resulting in a $0.0002 per Ccf decrease.[5]

On September 28, 2001, the Division of Public Utilities and Carriers ("Division") filed a memorandum authored by its consultant, Bruce Oliver. Mr. Oliver stated that he had reviewed NE Gas's testimony and exhibits and he found the proposed changes in the GCC factors for transportation service related charges to be reasonable. Therefore, the Division supported NE Gas's August 31, 2001 filing.[6]

Specifically, Mr. Oliver indicated that he had compared the data and procedures used by NE Gas to compute its proposed transportation-related GCC factors for the August 2001 filing with those procedures used in past annual GCC filings and found that the 2001 calculations were consistent with those accepted by the Commission in the past.[7] Mr. Oliver did note that NE Gas had increased the percentage of pipeline capacity assigned to marketers from 85.6% to 101.1% of each customer's normal average winter day's usage. Mr. Oliver opined that the increase in assignable capacity was the result of constructive changes in NE Gas's

[4] Pre-Filed Testimony of Peter C. Czekanski, pp. 9-10.
[5] Id. at 10.
[6] Memorandum from Bruce R. Oliver to Stephen Scialabba, 9/27/01, pp. 1-2.
[7] Id. at 2.

gas supply portfolio and should be viewed favorably by both customers and marketers.[8]

At an open meeting on October 2, 2001, the Commission considered the evidence presented in the case and found that the Company's annual Gas Charge Clause filing was just and reasonable and, accordingly, approved the rates and charges proposed in this filing for effect on and after November 1, 2001.

Accordingly, it is

(16833) ORDERED:

1. The Company's FT-2 Firm Transportation Marketer Gas Charge of $0.0322 per Ccf is approved for effect on and after November 1, 2001.
2. The Company's Pool Balancing Charge of $0.0016 per % of balancing elected per Ccf is hereby approved for effect on and after November 1, 2001.
3. The Company's Weighted Average Upstream Pipeline Transportation Cost of $0.928 per MMBtu and the resulting specific path charges / credits filed by the Company are approved for effect on and after November 1, 2001.
4. The Company's proposed revisions for underground storage and peaking inventory charges as outlined in the filing are hereby approved for effect on and after November 1, 2001.

[8] Id.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON OCTOBER 2, 2001. WRITTEN ORDER ISSUED JANUARY 28, 2002.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Kate F. Racine, Commissioner

Brenda K. Gaynor, Commissioner