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Gas Utility - Rates and Tariffs

New England Gas applies for rate increase, decoupling mechanism in Massachusetts

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By [Mark Hand](#)

[New England Gas Co.](#) on July 17 filed a request with Massachusetts regulators for a general rate increase of \$5,598,984, or 6.57%, as well as permission to implement a revenue decoupling proposal as a way to remove barriers preventing the company from committing to an expansion of its energy efficiency efforts.

The [Southern Union Co.](#) subsidiary cited increases in operating expenses since the company's last base rate filing was approved by the Massachusetts Department of Public Utilities in 2007 as the primary reason for the rate increase request. The DPU is expected to make a decision in the rate case by Jan. 16, 2009.

If approved, the proposed rate changes would result in an approximate increase of \$2.17 per month, or 5.4%, for the company's Fall River service area residential nonheating customers using 20 therms per month in the winter season, and an approximate increase of \$10.68 per month, or 5.1% increase, for its Fall River service area residential heating customers using 120 therms per month in the winter season.

The proposal also would result in an approximate decrease of \$9.21 per month, or 17.7%, for New England Gas' North Attleboro service area residential nonheating customers using 20 therms per month in the winter season, and an approximate decrease of \$16.73 per month, or 7.1%, for its North Attleboro service area residential gas heating customers using 120 therms per month in the winter season.

The company provides gas distribution service to about 54,000 customers in six Massachusetts communities in the Fall River and North Attleboro areas.

"Although the Company is currently operating under the terms of the Rate Settlement approved by the Department in D.P.U. 07-64, based on a test year from January 1, 2007 through December 31, 2007, and a review of the Company's revenues, expenses and investment in rate base, the Company's rate levels are not sufficient to provide the Company with a reasonable opportunity to recover its costs incurred to provide utility service to customers," New England Gas said in its application.

New England Gas said its proposed decoupling mechanism is designed to adhere to a preliminary set of principles [outlined](#) by the DPU in an order issued in June 2007. However, the company said it has not yet had a chance to fully consider the department's findings in the proceeding, [issued](#) July 16.

"The Company plans to complete its assessment as soon as possible and plans to supplement or modify its decoupling proposal as necessary or appropriate in order to ensure consistency with the Department's policy direction," James Simpson, vice president of Concentric Energy Advisors, said in testimony filed with the DPU on behalf of New England Gas.

The DPU's July 16 order sets forth a plan for decoupling to be adopted by electric and gas utility companies in the state. Decoupled rates, the DPU said, will allow companies to carry out mandates of a new energy law [recently signed](#) by Gov. Deval Patrick and still collect adequate revenue to maintain the quality and reliability of electricity and natural gas distribution.

"Today's order paves the way for the aggressive expansion of demand resources ... in Massachusetts in a manner that fully maintains and enhances fundamental and long-standing department precedent on ratemaking principles and consumer protections for all consumers of electricity and natural gas in the commonwealth," the DPU said.

Utilities are expected to file decoupled rate plans with the DPU as existing rate plans expire, which for most companies is by 2012. Companies, however, can file sooner on a voluntary basis.

In his testimony, Simpson said New England Gas' proposed decoupling measures will reduce the volatility and unpredictability of customers' bills; will reduce the extent to which the company's delivery revenues are subject to erosion, volatility and unpredictability; and will help to mitigate the company's need to file frequent rate cases.

New England Gas is seeking permission to implement a revenue-per-customer type of decoupling mechanism. An RPC true-up mechanism would result in periodic rate adjustments to account for the revenue impact of the difference between current and test year or rate year use per customer on a class-specific basis. (DPU 08-35)

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