

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 23-086

NORTHERN UTILITIES, INC.

Petition for Approval of Revenue Decoupling Adjustment Factor

COMMENCEMENT OF ADJUDICATIVE PROCEEDING AND NOTICE OF HEARING

On September 15, 2023, Northern Utilities, Inc. (Northern) filed a petition for approval of separate Revenue Decoupling Adjustment Factor (RDAF) rates effective from November 1, 2023 to April 30, 2024 and from May 1, 2024 to October 31, 2024. In support of its petition, Northern filed a proposed tariff page, the pre-filed testimony of Senior Rate Analyst Elena S. Demeris, and supporting attachments. All docket filings, other than any information subject to confidential treatment, are available on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-086.html>.

I. BACKGROUND AND PROCEDURAL HISTORY

In Order No. 26,650 (July 20, 2022) in Docket No. DG 21-104, the Commission approved a settlement agreement (Settlement Agreement) permitting Northern to implement a revenue decoupling mechanism (RDM) effective August 1, 2022. Order No. 26.650 at 13–14. As explained in the pre-filed testimony of Elena S. Demeris, Revenue Decoupling is a ratemaking mechanism that is designed to break the link between a utility's sales and revenues. Pre-filed Testimony of Elena S. Demeris at 3. According to Northern, by reducing the nexus between customer usage and company earnings, revenue decoupling ameliorates disincentives for utilities to promote conservation and energy efficiency programs. *Id.* Revenue decoupling allows a utility to recover its base revenue requirement approved in its most recent base rate case, or

similar proceeding, despite changes in sales which may be the result of factors such as increased customer conservation, weather, or economic conditions. *Id.*

Per the Settlement Agreement, Northern's RDM would use a Revenue Per Customer (RPC) model that reconciles monthly actual and authorized RPC by rate class. Order No. 26,650 at 4. The Settlement Agreement provided that Northern would implement the RDM in the following manner. First, Northern would record monthly variances between actual and authorized RPC for each rate class. *Id.* Rather than record and reconcile the variances on an annual basis, the variances would be recorded and reconciled separately, for the Peak (November through April) and Off-peak (May through October) periods (Measurement Periods). *Id.* at 4–5. The monthly variances in the applicable Measurement Period would then be totaled by class. *Id.* at 5. The total variances by customer class group and carrying costs would then form the basis for the Revenue Decoupling Adjustment (RDA) by group and the calculation of the RDAF, to be implemented as either surcharges or credits depending on whether there was an over- or under-collection. *Id.* A Customer Class Group comprises the rate schedules combined for purposes of calculating the RDA amounts. *Id.* The four Customer Class Groups approved in Order No. 26,650 are: Residential Heating (R-5 and R-10); (2) Residential Non-Heating (R-6); (3) C&I High Load Factor (G-50, G-51, G-52); and (4) C&I Low Load Factor (G-40, G-41, G-42). *Id.*

Second, Northern would annually file with the Commission the applicable RDAF 45 days in advance of November 1. *Id.* The filing would provide the proposed RDAF for the Peak period, for effect November 1, and subsequent Off-peak period, for effect May 1. *Id.* The RDA for the Peak period would reflect actual data for the entire six-month period while the RDA for the Off-peak period would reflect actual data for the first three months of the period and estimated data for the remaining three months. *Id.*

Northern's filing must include the RDA by group, including prior period reconciliation and calculation of the RDAF. *Id.* Pursuant to the Settlement Agreement, Northern is required to reconcile the RDA using the four customer groups defined above. *Id.* The RDAF would then be calculated as a dollar-per-therm charge or credit based on the RDA for each group divided by the projected therm sales for each group over the prospective six-month period November through April and May through October (the RDM Adjustment Period). *Id.* Northern would then charge or credit the RDAF to customer bills during the RDM Adjustment Period. *Id.*

In addition, the Settlement Agreement imposed a cap on the RDA of 4.25 percent of approved distribution revenues for each group over the relevant Measurement Period(s) for over- and under- recoveries. *Id.* at 6. To the extent that the RDA for a group, including prior period reconciliation exceeds 4.25 percent of distribution revenue, the amount over or under 4.25 percent would be deferred, with carrying costs accrued monthly at the Prime Rate, to be fixed on a quarterly basis and established as reposted in the *Wall Street Journal* on the first business day of the month preceding the calendar quarter. *Id.* If more than one interest rate is reported, the average of the reported rates shall be used. *Id.*

In approving the Settlement Agreement establishing the RDM, the Commission noted that it would hold a hearing to review and approve both RDA rates once a year before the November 1 effective date. *Id.* at 14. Per that order, the Commission will not hold a second hearing for the summer period. *Id.*

In this proceeding, Northern is proposing the following per therm charges for both Peak (November 1, 2023 to April 30, 2024) and Off-peak (May 1, 2024 to October 31, 2024) periods:

Class	Peak \$/therm Increase/(Decrease)	Off-peak \$/therm Increase/(Decrease)
Residential Heat	\$0.0434	\$0.1071
Residential Non-Heat	\$0.0588	\$0.933
General Service HLF	(\$0.0112)	(\$0.0035)
General Service LLF	\$0.0169	\$0.0008

Id. at 3. For the Peak period, the RDA for the Residential Heating, C&I HLF and C&I LLF groups exceeds the 4.25 percent cap. *Id.* at 6. For the Off-peak period, the Residential Heating RDA exceeds the cap. *Id.* As a result, Northern will defer these costs to later recovery periods. *Id.*

The proposed rates represent an increase to Residential Heating customers of \$21.17 or 1.82 percent over the winter period and \$11.89 or 3.99 percent over the summer period. *Id.* at 2. Northern did not include comprehensive bill impacts or rate summaries in this filing because it filed full bill impacts and rate summaries for the relevant periods in its cost of gas docket, Docket No. DG 23-085, currently under consideration by the Commission. *Id.*

II. ISSUES PRESENTED

The filing presents, *inter alia*, the following issues: whether Northern’s filing complies with the Settlement Agreement in Docket No. DG 21-104; whether Northern appropriately calculated the claimed revenue shortfall and 4.25 percent cap; whether recovery of the claimed shortfall in the amount of the cap and deferral of the remainder to another decoupling year or years is consistent with the Settlement Agreement; and whether recovery of the claimed shortfall through the proposed increase in distribution rates is likely to result in just and reasonable rates, as

required by RSA 374:2, RSA 378:5, and RSA 378:7. Accordingly, an adjudicative proceeding will be convened to address these issues.

The Commission will be conducting any hearings scheduled in this matter in person. The Commission will consider requests to conduct hearings using a hybrid format to permit remote participation by a specific individual only if the Commission has determined that a sufficient reason has been provided for why that individual would be unable to attend in person. Any party requesting that a specific individual be permitted to participate remotely should file a written request with the Commission's Clerk's Office no later than fifteen (15) days prior to the hearing date. If the Commission determines that one or more individuals will be permitted to appear remotely, then individuals in the Commission's hearing room, including the Commissioners, will be broadcast on a web-enabled platform.

Based upon the foregoing, it is hereby

ORDERED, that an adjudicative proceeding be commenced for the purpose of reviewing and resolving the foregoing issues pursuant to RSA chapter 541-A, RSA 374:2, RSA 378:5, and RSA 378:7, and the Commission's procedural rules; and it is

FURTHER ORDERED, that the Commission will hold a hearing in this matter at its offices located at 21 S. Fruit St., Suite 10, Concord, New Hampshire, on October 23, 2023, at 1:30 p.m. Three hours shall be allotted for this hearing; and it is

FURTHER ORDERED, that the New Hampshire Department of Energy shall file its position regarding Northern's petition, including the reasons for this position, on or before October 17, 2023; and it is

FURTHER ORDERED, that any entity or individual may petition to intervene and seek to be admitted as a party in this proceeding. Each party has the right to have an attorney represent the party at the party's own expense; and it is

FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any entity or individual seeking to intervene in the proceeding shall file with the Commission a petition to intervene with copies sent to Northern and any other parties on the service list, on or before October 13, 2023. The petition shall state the facts demonstrating how the petitioner's rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Admin. R., Puc 203.17; and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before October 23, 2023; and it is

FURTHER ORDERED, that parties shall file any proposed exhibits, written testimony, motions, or other documents intended to become part of the record in this proceeding with the Commission. Pursuant to the secretarial letter issued on March 17, 2020, which is posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Secretarial%20Letters/20200317-SecLtr-Temp-Changes-in-Filing-Requirements.pdf>, all Commission rules requiring the filing of paper copies are suspended until further notice. Parties may elect to submit any filing in electronic form unless otherwise ordered by the Commission. Filings will be considered filed as of the time the electronic copy is received by the Commission; and it is

FURTHER ORDERED, that routine procedural inquiries may be made by contacting the Commission's Clerk's Office at (603) 271-2431 or ClerksOffice@puc.nh.gov. All requests to the Commission should be made in a written pleading filed with the Commission. Unless otherwise authorized by law, *ex parte* communications are prohibited; and it is

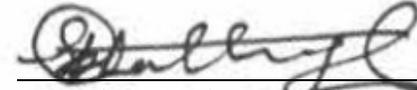
FURTHER ORDERED, that pursuant to N.H. Admin. R., Puc 203.12, Northern shall notify all entities and individuals desiring to be heard at this hearing by

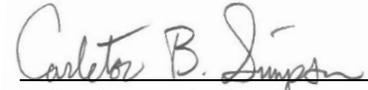
publishing a copy of this order of notice on its website no later than two business days after the date of issue, such publication to be documented by affidavit filed with the Commission on or before October 20, 2023. In addition, the Clerk shall publish this order of notice on the Commission's website no later than two business days after the date of issue; and it is

FURTHER ORDERED, that any hearings in this matter shall be conducted in accordance with the attached hearing guidelines.

So ordered, this fourth day of October, 2023.


Daniel C. Goldner
Chairman


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

Service List - Docket Related

Docket#: 23-086

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