



STATE OF NEW HAMPSHIRE  
Inter-Department Communication

DATE: January 9, 2017  
AT (OFFICE): NHPUC

NHPUC 9 JAN 17 AM 11:55

FROM: Al-Azad Iqbal  
Utility Analyst – Gas & Water Division

SUBJECT: DG 15-033 2015 Integrated Resource Plan, Northern Utilities, Inc.

TO: Commissioners  
Docket File  
Service List

**Summary**

Staff recommends that the Commission accept Northern Utilities, Inc.’s 2015 Integrated Resource Plan (IRP) filing. Staff has reviewed the plan and believes that it meets the requirements of the IRP statutes and the settlement approved by the Commission in Order No. 25,641 (issued on March 26, 2014), relating to the last IRP filed by Northern. In the context of ongoing proposed changes to capacity assignment methodologies in Maine, Northern proactively provided an alternative planning load scenario which assumed that the proposed changes are approved.

**Background**

On January 16, 2015, Northern Utilities, Inc. (Northern) filed its 2015 IRP with the Commission. Northern’s IRP addresses the following issues, among other elements: (1) details regarding the development of Northern’s demand forecast, including total system throughput under design weather conditions as adjusted for energy efficiency programs and the conversion of the demand forecast into long-term planning load requirements; (2) a review of Northern’s current portfolio of long-term supply assets and comparison of the supplies available from the current portfolio to the forecast of planning load requirements, in order to assess incremental resource needs; (3) an examination of potential supply alternatives, such as new pipeline projects proposed for the New England or the possible addition of new peaking facilities on Northern’s system; and (4) an explanation of Northern’s long-term resource decision making process.

Northern maintains a single gas supply portfolio for its Maine and New Hampshire operations, which are organized under separate state-specific Divisions. Supply-related capacity costs are allocated to each Division based on the Modified Proportional Responsibility (MPR)

On January 6, 2015, Staff filed a recommendation to the Commission to open a docket (IR 15-009), pursuant to RSA 374:4 and 374:7, to investigate whether the current cost allocation

methodology used by Northern. to assign supply costs to its Maine and New Hampshire Divisions achieves the “just and reasonable” ratemaking standard required under RSA 378:7.

On March 27, 2015, the Commission published the Order of Notice for this instant IRP proceeding. Citing the close inter-relationship between the matters to be examined in the current docket and the IRP Allocation docket (DG 15-033), the Commission consolidated the dockets, but since deactivated the consolidation (by a Secretarial Letter dated December 16, 2016, which scheduled a hearing for January 19, 2017).

On April 17, 2015, a prehearing conference was held for this DG 15-033 IRP proceeding. On September 30, 2015, the Company submitted a New Hampshire Stand-Alone Dispatch Scenario Analysis, at Staff’s request. Staff propounded three sets of data requests regarding different issues of the IRP filing, to which Northern answered.

In parallel to this docket, Northern pursued a docket in Maine (MPUC Docket No. 2014-00132, a continuation of Docket No 2013-00259) which addresses the misalignment of cost causation and cost allocation by changing the capacity assignment policies in Maine to be compatible with New Hampshire.

On July 7, 2016, the Maine Commission approved certain changes to the Retail Choice Program. It requires that, for Capacity Assigned customers, the resources in Northern’s portfolio will be assigned to marketers based on 100% of customer demand, rather than at the 50% level reflected in the existing Program. These changes will be implemented from November 1, 2019<sup>1</sup>. This is broadly compatible with the New Hampshire capacity assignment policy, and would resolve the most important risk factor for potential of cost misallocation. On October 19, 2016, the Company provided an update stating that the Delivery Service Terms and Conditions Tariff was approved by the Maine Commission in an Order dated October 14, 2016.

However, the Maine Commission recently ordered that the issues raised by the OPA related to Northern’s Retail Choice program be addressed in a continuation of the Phase 2 proceeding in Docket No. 2014-00132 for resolution by November 1, 2017.

### **STAFF REVIEW AND RECOMMENDATION**

Staff reviewed Northern’s filing and the responses to Staff’s data requests regarding the development of the demand forecast, assessment of incremental resource need, potential supply alternatives, and the Company’s long-term resource decision making process.

On August 15, 2014 the Legislature added natural gas utilities to the filing requirements of RSA Chapter 378, the Least Cost Integrated Resource Statute, which requires a demand-side management assessment (RSA 378:38). The demand-side management assessment requirement took effect for Northern on August 4, 2015, after its current IRP filing was made, but after the legislative changes were enacted.

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<sup>1</sup> MPUC, Docket No. 2014-00132, Order (July 7, 2016, p. 9)

Staff recommends that the Commission issue an order granting Northern a partial waiver from the filing requirements of RSA 378:38, as modified in 2014, relating to demand-side management, finding that the IRP is adequate, and requiring Northern to address all of the statutory elements of the IRP statutes in a granular way in its next IRP filing so that the reviewing parties may track the correspondence of the next IRP with the relevant statutory standards. The next IRP will be due two years from the date of the final order.

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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Executive.Director@puc.nh.gov  
al-azad.iqbal@puc.nh.gov  
alexander.speidel@puc.nh.gov  
amanda.noonan@puc.nh.gov  
epler@unitil.com  
mark.naylor@puc.nh.gov  
mwhitten@lacapra.com  
ocalitigation@oca.nh.gov  
steve.frink@puc.nh.gov  
taylorp@unitil.com  
tbohan@spragueenergy.com  
tfrench@bernsteinshur.com

Docket #: 15-033-1 Printed: January 09, 2017

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