

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 19-154

NORTHERN UTILITIES, INC.

2019/2020 Annual Cost of Gas

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 26,303

October 29, 2019

APPEARANCES: Patrick H. Taylor, Esq., for Northern Utilities, Inc.; the Office of the Consumer Advocate by Christa Shute, Esq., on behalf of residential ratepayers; and Paul B. Dexter, Esq., for the Staff of the Public Utilities Commission.

This order approves a proposal by Northern Utilities for 2019-2020 winter and 2020 summer cost of gas rates. The initial residential rate for the winter period (November 1, 2019 - April 30, 2020) will be \$0.5861 per therm with a local delivery adjustment charge of \$0.0706 per therm, effective November 1, 2019. A residential heating customer will pay approximately \$979 for the 2019-2020 winter season. The revised winter rate is \$0.2488 per therm or 30 percent lower than the weighted average 2018-2019 winter season COG rate.

The rate for residential customers during the summer period (May 1, 2020 - October 31, 2020) will be \$0.2768 per therm. The revised summer rate is \$.0411 per therm or 13 percent lower than the weighted average 2019 summer season COG rate. A residential customer will pay about \$259 for the 2020 summer season.

I. PROCEDURAL HISTORY

Northern Utilities, Inc. (Northern or the Company) is a public utility that provides natural gas service to approximately 31,000 customers in the seacoast region of New Hampshire. On September 17, 2019, Northern filed a proposed 2019-2020 annual cost of gas (COG) rate

adjustment with certain other proposed rate adjustments for the 2019-2020 winter and 2020 summer periods. Northern's filing included the pre-filed testimony of Christopher A. Kahl, a Senior Regulatory Analyst for Unitil Service Corp., an affiliated service company; Francis X. Wells, Manager of Energy Planning for Unitil Service Corp.; and S. Elena Demeris, a Senior Regulatory Analyst for Unitil Service Corp.

Northern, the Office of the Consumer Advocate (OCA), and Commission Staff conducted discovery and met in a technical session on October 7, 2019. The Commission held a hearing on the merits on October 11, 2019. There were no petitions for intervention filed in the docket and no person appeared at the hearing to provide public comment on the proposed COG rates.

Northern's filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://puc.nh.gov/Regulatory/Docketbk/2019/19-154.html>.

II. COST OF GAS ADJUSTMENT MECHANISM

The COG adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a means to reflect increases and decreases in energy supply costs in customer rates without requiring extended proceedings to change applicable fuel delivery rates. Supply costs comprise approximately half of a residential heating customer's annual bill and include commodity prices (the COG), gas transportation costs, and gas storage costs. Northern has little control over the price of natural gas, which is an unregulated commodity. Similarly, it has little control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG adjustment mechanism allows the Company to pass such costs on to its customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods. Through the COG

adjustment mechanism, the Company may adjust COG rates monthly to take into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period. To the extent that adjustments are based on projected costs, they are subject to reconciliation periodically, after all actual costs are known and reported.

Another rate the Commission sets within the context of COG proceedings is the local delivery adjustment charge (LDAC), which allows for recovery of expenses the Commission has approved in prior dockets through a per therm surcharge to be determined and implemented through annual COG proceedings. Those expenses include costs associated with Northern's Residential Low Income Assistance and Regulatory Assessment (RLIARA) rate, the Energy Efficiency Charge (EEC), the Environmental Response Cost (ERC) rate, rate case expenses (RCE), and the recoupment of the difference between temporary and permanent rates, referred to as the Reconciliation of Permanent Changes (RPC).

The RLIARA allows the Company to recover the revenue discounts associated with customers participating in the Residential Low Income Assistance Program as well as the costs associated with administering that program as approved by the Commission in *Investigation of the Benefits of a Low Income Assistance Program for Natural Gas Customers*, Order No. 24,508 (September 1, 2005).

The EEC charge is designed to recover projected expenses associated with the Company's energy efficiency programs.

The ERC charge recovers costs for environmental remediation related to manufactured gas plants.

The LDAC also includes the non-distribution portion of the Company's annual regulatory assessment.

III. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern proposed an initial residential rate for the winter period (November 1, 2019 - April 30, 2020) of \$0.5861 per therm with a local delivery adjustment charge of \$0.0706 per therm effective November 1, 2019. The rate for residential customers during the summer period (May 1, 2020 - October 31, 2020) will be \$0.2768 per therm. Typical charges for a residential heating customer will be \$979 for the winter of 2019-2020 and \$259 for the summer of 2020, which will be lower than the previous year's typical residential heating costs by \$134 or 12 percent compared to the 2018-2019 winter season and by \$5 or 2 percent compared to the 2019 summer season.

The following tables display the expected total seasonal bill impacts relative to the average seasonal use for each customer class in last year's winter and summer periods.

2019-2020 Projected Winter Bill Impacts¹

Customer Class	2018-2019 (Actual)	2019-2020 (Projected)	Percent Change from Winter Period 2018-2019
R-5 Residential Heating	\$ 1,113	\$ 979	-12%
G-40 C&I High Winter Use	\$ 2,324	\$ 1,922	-17%
G-51 C&I Low Winter Use	\$ 10,593	\$ 8,320	-21%

2020 Projected Summer Bill Impacts²

Customer Class	2019 (Actual)	2020 (Projected)	Percent Change from Summer Period 2019
R-5 Residential Heating	\$ 264	\$ 259	-2%
G-40 C&I High Winter Use	\$ 621	\$ 608	-2%
G-51 Low Winter Use	\$ 4,563	\$ 4,420	-3%

¹ Winter season bill comparisons for Residential, Bates p 77; G-40, Bates p 78; G-51 Bates p 80.

² Summer season bill comparisons for Residential, Bates p 82; G-40, Bates p 83; G-51 Bates p 85.

With the proposed rate adjustments, a typical residential heating customer will see an average monthly bill of about \$163 in winter 2019-2020 compared to \$185 in winter 2018-2019, and \$43 in summer 2020 compared to \$44 in summer 2019.

Northern's filing proposed an LDAC of \$0.0706 per therm for the residential classes and \$0.0359 for C&I classes, effective November 1, 2019, through October 31, 2020.

Northern also proposed: (1) a supplier balancing charge of \$0.71 per MMBtu of daily imbalance volumes; (2) a gas allowance factor of 1.38 percent; (3) transportation capacity allocators; (4) a firm sales service re-entry and conversion surcharge schedule; (5) short-term debt limits of \$16,324,000 for fuel financing and \$74,206,000 for non-fuel financing for the period November 1, 2019, through October 31, 2020; and (6) a transportation peaking service demand charge of \$65.41 per MMBtu of peak maximum daily quantity per month, effective November 1, 2019, through April 30, 2020.

B. Staff

At the hearing, Staff recommended approval of the COG rates and tariff changes proposed by the Company in its filing of September 17, 2019.

C. OCA

The OCA stated at the hearing that the proposed rate changes reflected in the Company's filing are just and reasonable, and recommended that those changes be approved.

IV. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *See Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-65 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. *Northern Utilities*,

Inc., Order No. 25,891 (April 29, 2016). Based on our review of the record in this docket, we approve the proposed 2019-2020 winter and 2020 summer COG rates as just and reasonable. We also approve Northern's LDAC rate components. Because the COG rates and LDAC rate components are reconciled each year, any adjustments needed to reconcile actual cost and revenue will be made in Northern's next winter COG filing for 2020-2021.

Pursuant to *Northern Utilities, Inc.*, Order No. 24,961 (April 30, 2009), the approved rates may be adjusted downward as needed and upward by no more than 25 percent without further Commission action.

Based upon the foregoing, it is hereby

ORDERED, Northern Utilities, Inc.'s 2019-2020 winter and 2020 summer period COG per therm rates effective for service rendered on or after November 1, 2019, and its 2020 summer season per therm rates effective May 1, 2020, are approved as set forth in this Order, as follows:

Customer Class	2019-2020 Winter COG	2019-2020 Winter Maximum COG	2020 Summer COG	2020 Summer Maximum COG
Residential	\$0.5861	\$0.7326	\$0.2768	\$0.3460
C&I High Winter Use	\$0.6082	\$0.7603	\$0.3116	\$0.3895
C&I Low Winter Use	\$0.4950	\$0.6188	\$0.2443	\$0.3054

and it is

FURTHER ORDERED, that Northern may, without further Commission action, adjust its approved COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed, cumulatively, a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that Northern shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates

for the subsequent month, not less than five business days prior to the first day of the subsequent month. Northern shall include revised Calculation of the Firm Sales COG Rate tariff pages, and revised rate schedules under separate cover letter if Northern elects to adjust COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Northern's proposed LDAC per therm rates effective for service rendered on or after November 1, 2019, through October 31, 2020, are \$0.0706 and \$0.0359 for residential and C&I respectively; and it is

FURTHER ORDERED, that Northern's proposed supplier balancing charge of \$0.71 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Northern's proposed transportation peaking service demand charge of \$65.41 per MMBtu of peak maximum daily quantity per month is approved; and it is

FURTHER ORDERED, that Northern's proposed gas allowance factor of 1.38 percent is approved; and it is

FURTHER ORDERED, that Northern's proposed transportation capacity allocators as filed, are approved; and it is

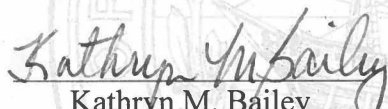
FURTHER ORDERED, that Northern's proposed Firm Sales Service Re-Entry Fee Bill Adjustment fee schedule as filed, is approved; and it is


FURTHER ORDERED, that Northern's proposed short-term debt limits of \$16,324,000 for fuel financing and \$74,206,000 for non-fuel financing for the period November 1, 2019, through October 31, 2020, are approved; and it is

FURTHER ORDERED, that Northern shall promptly file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603; and it is

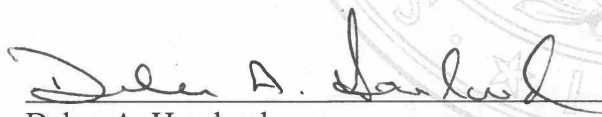
FURTHER ORDERED, that Northern shall file its proposed notice of rate change to customers with the Commission's Director of the Consumer Services and External Affairs Division, prior to delivery to its customers.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of October 2019.


Kathryn M. Bailey
Commissioner


Michael S. Giaimo
Commissioner

Attested by:


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