



June 14, 2022

Daniel Goldner, Chariman
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DG 21-104: Hearing Record Request DOE RR-1

Chairman Goldner:

In its response to Request No. DOE RR-1, the Department of Energy (the “DOE”) solved for the implied Return on Equity that would provide the approximately \$6.09 million revenue increase to which the parties, including the DOE and Northern Utilities Inc. (“Northern” or the “Company”), agreed in Docket No. DE 21-104, assuming a ratemaking capital structure of 50.00 percent Common Equity and 50.00 percent Long-Term Debt (rather than the 52.00 percent Common Equity, and 48.00 percent Long-Term debt included in the settlement agreement). Northern has reviewed the DOE’s calculations, and agrees with the mathematical results.

Although Northern agrees with the DOE’s calculations, the Company views them as illustrative, only, and believes they should be treated as such. Northern does not believe the request, or the calculations provided in response to it, reflect the complex factors considered in utility financing practices, or the complicated relationships among the cost of capital (both debt and equity) and capital structure. Nor do they address the Company’s current credit rating, including Standard & Poor’s “Negative” outlook, and the additional business risk that may be perceived if the Commission were to restructure a fundamental component of the Settlement Agreement. See, e.g., Hearing Exhibit 3, Bates 000637-695 (Testimony and Attachments of Todd R. Diggins and Andre J. Francoeur).

In summary, while the Company appreciates the Commission’s inquiry, it cautions against assuming indifference on the part of investors, rating agencies, and the Company’s financing practices between the agreed-upon capital structure and corresponding rate of return on the one hand, and the illustrative capital structure and implied rate of return on the other. The analysis and results described in the record request response are not consistent with the specific terms of the Settlement Agreement among the parties, which were negotiated in good faith over several days.

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Sincerely,

A handwritten signature in black ink, appearing to read 'P. H. Taylor', with a long horizontal flourish extending to the right.

Patrick H. Taylor
Attorney for Northern Utilities, Inc.

cc: Service List (by e-mail)