

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 21-104

NORTHERN UTILITIES, INC.

Request for Change in Rates

Order on Permanent Rates

O R D E R N O. 26,650

July 20, 2022

In this order the Commission approves a 15.5 percent permanent increase in base distribution rates over rates in effect during the 2020 test year for Northern Utilities, Inc. and a revenue decoupling mechanism, effective August 1, 2022. Based on trends of increasing capital investment and relatively flat customer growth, the order announces a renewed focus on the utilities' least cost integrated resource plans in order to ensure that all capital investments are justified.

I. PROCEDURAL HISTORY

On June 30, 2021, Northern Utilities, Inc. (Northern or the Company) filed a Notice of Intent to file rate schedules pursuant to Puc 1604.05. On July 8, 2021, the Office of Consumer Advocate (OCA) indicated its intent to participate in the docket. On August 2, 2021, Northern petitioned the Commission for authority to implement new permanent rates beginning September 1, 2021, for gas distribution service. On August 17, 2021, Northern, the OCA and the staff of the Department of Energy (DOE) filed a settlement agreement recommending temporary rates for effect on October 1, 2021. On August 29, 2021, the Commission issued Order No. 26,511 suspending the proposed tariff for twelve months, commencing an adjudicative proceeding and scheduling a prehearing conference. The Commission held a hearing on the settlement agreement on

September 24, 2021, and following the hearing, the Commission issued Order No. 26,529 (September 30, 2021) approving the temporary rates consistent with the terms of the settlement agreement.

Northern filed amended revenue requirements on February 23, 2022, and revised schedules on February 24, 2022. On April 1, 2022, witnesses for the OCA and the DOE filed testimony concerning Northern's rate request. Northern responded to Commission record requests on April 6, 2022. On May 27, 2022, Northern, OCA and DOE filed a settlement on permanent rates (Settlement) together with motions for confidential treatment of information provided by Northern. A final hearing was held before the Commission on June 7, 2022.

II. NORTHERN INITIAL RATE REQUEST

In its initial petition Northern requested: (1) new permanent rates beginning September 1, 2021, for gas distribution service based upon a twelve-month test year ended on December 31, 2020; (2) a multi-year Rate Plan with three annual step adjustments for certain non-growth capital additions; (3) a revenue decoupling mechanism; (4) an Arrearage Management Program; and (5) temporary rates beginning October 1, 2021. According to Northern's witness Robert B. Hevert, "[a]s in prior rate requests, the Company's revenue deficiency in this case is driven largely by unrecovered costs associated with non-revenue producing capital investments." Hearings Exhibit 3 RBH Testimony at Bates page 00080. Northern proposed a permanent increase in annual revenues of \$7,782,950. Based on 2020 test year distribution operating revenue of \$43,200,249, this would amount to an increase of approximately 18 percent in distribution operating revenue. The requested permanent rate increase would result in an overall rate of return of 7.75 percent. The overall rate of return of 7.75 percent included a requested return on equity of 10.30 percent, and a

proposed capital structure consisting of 52.47 percent common equity and 47.53 percent long-term debt.

III. SETTLEMENT AGREEMENT

Northern, OCA, and DOE entered into a Settlement; the major provisions of which are summarized below.

A. Rate Changes

The Settlement provides that on August 1, 2022, effective on a service-rendered basis, Northern's annual distribution revenues will increase \$6,091,477 to recover the Company's distribution revenue deficiency agreed to by the settling parties. This reflects a net increase of \$3,492,394 from temporary rates in effect since October 1, 2021, which reflected an increase of \$2,599,083 over prior rates authorized in Order No. 26,529 (September 30, 2021). The permanent revenue increase of \$6,091,477 represents an increase of 15.5 percent of distribution revenues in effect during the 2020 test year for Northern Utilities. Of this increase, \$6,322,954 will be collected within permanent distribution rates and a decrease of \$231,477 will be reflected in the Cost of Gas Clause (COGC) as a component of indirect gas costs.

The Settlement provides that the initial rate increase will be followed by one additional Step Adjustment to rates on September 1, 2022, also effective on a service-rendered basis. In light of this Step Adjustment, the Company agrees not to file a distribution rate case with the Commission before January 1, 2024.

The September 1, 2022, Step Adjustment is designed to cover the additional revenue requirement resulting from changes in Net Plant in Service associated with non-growth investments for the period January 1, 2021, through December 31, 2021. An illustrative revenue requirement for the September 1, 2022, step adjustment is provided in Settlement Attachment 2. The Settlement provides that the Company may

recover step adjustment revenues associated with the full 2021 Rate Year over the eleven-month period beginning September 1, 2022, and ending July 31, 2023.

B. Cost of Capital

In determining the annual changes to distribution revenue and rates, the Settlement provides an overall capital structure and cost of capital as set forth in the table below, including a 9.30 percent return on equity. The parties claim that this capital structure and cost of capital is just and reasonable in the context of this Settlement:

	Component Percentage	Cost Percentage	Weighted Cost	Tax Factor	Pre-Tax Cost
Common Equity	52.00%	9.30%	4.84%	1.3714	6.63%
Long-Term Debt	48.00%	4.93%	2.37%		2.37%
Total	100%		7.20%		9.00%

C. Revenue Decoupling

The Settlement provides for implementation of a Revenue Decoupling Mechanism (RDM). The RDM would use a Revenue Per Customer (RPC) model that reconciles monthly actual and authorized RPC by rate class. Settlement Attachment 3 provides the Company's monthly target RPCs effective August 1, 2022, and also provides preliminary monthly target RPCs effective September 1, 2022, to reflect the 2022 Step Adjustment.

The Settlement provides that Northern shall implement the RDM as follows. First, the Company shall record monthly variances between actual and authorized RPC for each rate class. 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 (the

Measurement Periods). The monthly variances in the applicable Measurement Period would then be totaled by class.

The total variances by customer class group and carrying costs shall form the basis for the revenue decoupling adjustment (RDA) by group and the calculation of revenue decoupling adjustment factors (RDAF) (surcharges or credits). A Customer Class Group comprises the rate schedules combined for purposes of calculating the RDA amounts. The four Customer Class Groups shall be: (1) 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).

Second, the Company shall annually file with the Commission the applicable RDAF 45 days in advance of November 1. The filing will provide the proposed RDAF for the Peak period, for effect November 1, and subsequent Off-Peak period, for effect May 1. The RDA for the Peak period shall reflect actual data for the entire six-month period while the RDA for the Off-Peak period shall reflect actual data for the first three months of the period and estimated data for the remaining three months. The filing shall include the RDA by group, including prior period reconciliation and calculation of the RDAF. Pursuant to this Settlement Agreement, rather than reconcile the RDA on an allocated basis as initially proposed by Northern, the Company shall reconcile the RDA using the four customer class groups defined above. The RDAF shall 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). The RDAF shall be charged or credited to customer bills during the RDM Adjustment Period.

Northern shall implement an RDA cap of 4.25 percent of approved distribution revenues for each group over the relevant Measurement Period(s) for over- and under-recoveries. 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 shall be deferred, with carrying costs accrued monthly at the Prime Rate with said Prime Rate to be fixed on a quarterly basis and to be established as reported in *The Wall Street Journal* on the first business day of the month preceding the calendar quarter. If more than one interest rate is reported, the average of the reported rates shall be used. In the Company's next distribution rate case, parties to that proceeding may propose specific treatment of any carried balances remaining at that time.

The Settling Parties agree that the RDM shall be implemented at the proposed effective date of new permanent rates on August 1, 2022. At that time, Northern shall cease accruing Lost Base Revenue (LBR) due to energy efficiency and shall transition to decoupling. With respect to special contract revenue, the Company shall not implement its proposal to reconcile test year special contract revenue with actual revenue. The Settling Parties agree that if any special contract customers become tariff customers, they will be excluded from the RDM.

D. Step Adjustment

The Settlement provides that the step adjustment associated with the Investment Year shall be effective September 1, 2022, based on the Step Adjustment filing that is currently pending in DG 22-020. The Settling Parties agreed that the Company shall recover revenues associated with the full Rate Year (August 1, 2022 – July 31, 2023) over the eleven-month period beginning September 1, 2022, and ending July 31, 2023. Beginning August 1, 2023, distribution rates shall be adjusted going forward to reflect a 12-month recovery of the Step Adjustment.

The Settlement provides that the Step Adjustment shall include recovery of the distribution revenue requirement associated with the annual Change in Non-Growth Net Plant. The proposed Step Adjustment revenue requirement shall be the sum of the following for each Investment Year:

- Pre-Tax Rate of Return applied to the annual Change in Non-Growth Net Plant;
- Depreciation Expense on the annual Non-Growth Plant Additions; and
- State Property Taxes on the annual Change in Non-Growth Net Plant.

The amount of the Step Adjustments shall be subject to review by the DOE and the OCA, and subject to approval by the Commission, following the Company's filing described above.

The Settlement also provides that the Step Adjustment effective September 1, 2022, shall include recovery of \$157,739 of post-test-year software amortization.

E. Exogenous Events.

The Company has agreed not to file a distribution rate case before January 1, 2024 (the Stay-Out Period). Nonetheless, the Settlement provides that during the term of the Stay-Out Period, the Company will be allowed to adjust distribution rates upward or downward resulting from a singular (not collective) exogenous event, as defined herein. For any of the events defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, during the term of the Stay-Out Period, the Company will be allowed to adjust distribution rates upward or downward (to the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission) if the total distribution revenue impact (positive or negative) of such event exceeds \$200,000.

F. Tariff Changes and Rate Design

The Settlement provides that the revenue deficiency shall be allocated as follows: for the Residential Heat class (R-5/R-10), the revenue adjustment is 1.25 times the system average; for the Residential Non-Heat (R-6/R-11) class the revenue adjustment is twice the system average increase; for the G-40/T-40, G-41/T-41, and G-42/T-42 classes, the adjustment is 75 percent of the system average increase; for the remaining customer classes (G-50/T-50, G-51/T-51, G-52/T-52), the revenue adjustments is 50 percent of the system average increase. A schedule showing the allocation of the revenue deficiency and resulting permanent rates is provided in Settlement Attachments 4 and 5.

The Settlement provides that the customer charges for all residential Rate Schedules (R-5, R-10, R-6) shall remain at the current levels until the Company's next base distribution rate case. The customer charges for all non-residential classes shall be increased consistent with Schedule RAJT-11 to the Testimony of Ronald Amen and John Taylor.

For the Step Adjustment, the Settlement provides that the revenue requirement increase shall be applied proportionately to all customer classes based on distribution revenue, using current distribution rates and test year billing determinants established in this proceeding. The increase shall be collected proportionately through the volumetric charges for all rate classes. If Northern presents a cost-of-service study utilizing the "Minimum System Method" in its next base distribution rate case, the Company agrees to present, as an alternative, an allocation of distribution mains on a demand-only basis.

G. Arrearage Management Program

The Company's initial testimony proposed establishing an Arrearage Management Program (AMP). While the Settling Parties supported the AMP Northern proposed in this rate filing, the Settlement provides that the AMP need not be implemented in light of the Commission's recent Order No. 26,623, in which the Commission declined to approve a proposed AMP for Unitil Energy Systems, Inc.

H. Recoupment and Rate Case Expenses

The Settlement defines Recoupment as the difference between distribution revenue at temporary rates and permanent rates over the 10-month period October 1, 2021, through July 31, 2022. The Settlement provides that the Company shall recover the Recoupment amount over one year within its Local Delivery Adjustment Charge (LDAC) through the Reconciliation of Permanent Changes in Distribution Rates Charge, calculated as a separate uniform rate per therm for both the Residential and C&I classes, respectively, in the Company's next scheduled LDAC rate change effective November 1, 2022.

The decrease in revenue to be collected in the cost of gas clause (COGC) resulting from this Settlement Agreement, \$231,477, will be annualized beginning October 1, 2021, and passed back within the Annual Reconciliation of the COGC as a cost decrease.

The Settling Parties agree that the Company may recover the just and reasonable rate case expenses incurred by the Company in the preparation and presentation of its filing, and the regulatory proceeding expenses incurred by the Commission, DOE, and the OCA and charged to the Company in this docket. The Settlement provides for recovery of these expenses over one year within the LDAC through the Rate Case Expense Charge (RCE), a uniform rate per therm, in the

Company's next scheduled LDAC rate change effective November 1, 2022. Northern shall file with the Commission for its review and approval the final actual amount of rate case expenses within 30 days of a Commission Order approving the Settlement.

I. Working Capital

The Settlement provides that the Company's Working Capital Allowance related to supply requirements and recovered through the COGC will be calculated by multiplying supply costs by the percentage derived from dividing the supply-related net lag of 9.30 days by 366 days and multiplied by the Working Capital Carrying Charge Rate.

J. Covid-19 Related Costs

Pursuant to Order No. 26,515 (September 7, 2021) in Docket No. IR 20-089, the Commission concluded that utilities would be permitted to use accounting mechanisms to defer costs pertaining to the COVID-19 public health emergency for later recovery. The Settlement provides for Northern's recovery of \$68,061 in COVID-19 related costs from calendar year 2020. Those costs will be recovered through the Regulatory Assessment Adjustment Mechanism (RAAM), at a uniform rate per therm, in the Company's next scheduled RAAM rate change effective November 1, 2022. Northern shall not recover any COVID-19 related waived late payment fees for the period January through March 31, 2021.

K. Bad Debt

Due to the COVID-19 pandemic, the 2020 test year was not representative of an accurate level of bad debt. Accordingly, the Settlement provides that the Company shall use the 2019 calendar year write off rate of 0.71 percent for calculating the level of bad debt expense included in the Company's revenue requirement.

L. Property Taxes

In Order No. 26,581 (February 15, 2022), the Commission approved the Company's proposed method for reconciliation of local property taxes consistent with RSA 72:8-e. The Settlement allows Northern to include \$4,152,854 in base rates attributable to local property taxes. Further, any reconciliation of the authorized property tax amounts shall occur annually through the Property Tax Adjustment Mechanism (PTAM), consistent with Order No. 26,581.

M. Regulatory Assessment

The Settlement provides that the Company's revenue requirement reflects a total regulatory assessment of \$552,312 and that reconciliations of any deviation from that amount, shall continue to be recovered through the RAAM.

N. Excess Accumulated Deferred Income Taxes

The Company's revenue requirement includes the flowback of \$308,218 of annual excess accumulated deferred income tax until the Company's next base distribution rate case filing, at which time the flowback amount shall be reviewed. The Settlement provides that excess accumulated deferred income tax from 2018–2020 in the amount of \$515,202 (see Bates 00635 of the Company's Initial Filing), shall be applied to offset the Company's property tax deferral balance to be recovered through the PTAM.

O. Depreciation

The Settlement provides that the Company shall use updated whole-life rates for book depreciation purposes as reflected in Settlement Attachment 9. The Parties agree that the Company shall amortize the depreciation reserve variance over ten years beginning August 1, 2022. The annual amount to be recovered in rates is \$1,574,083, as reflected in Settlement Attachment 9.

IV. COMMISSION ANALYSIS

A. Rate Case Settlement

The Commission is authorized to fix rates after a hearing, upon determining that rates, fares, and charges are just and reasonable. RSA 378:7. In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). In this way, the Commission serves as arbiter between the interests of customers and those of regulated utilities. See RSA 363:17-a; *see also EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 at 17 (March 10, 2011).

Unless precluded by law, disposition may be made of any contested case at any time prior to the entry of a final decision or order. RSA 541-A:31, V(a). Pursuant to N.H. Admin. R., Puc 203.20(b), the Commission shall approve the disposition of any contested case by stipulation if it determines that the result is just and reasonable and serves the public interest. The Commission encourages parties to settle disagreements through negotiation and compromise because it is an opportunity for creative problem solving, allows parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Hampstead Area Water Company, Inc.*, Order No. 26,131 at 3 (May 3, 2018). Nonetheless, the Commission cannot approve a settlement, even when all parties agree, without independently determining that the result comports with applicable standards. *Id.*

1. Rate Changes

We approve a permanent revenue increase of \$6,091,477 representing an increase of 15.5 percent of distribution revenues relative to the 2020 test year. In the context of the overall Settlement, we find this rate just and reasonable. Of this increase, \$6,322,954 will be collected within permanent distribution rates and a decrease of \$231,477 will be reflected in the COGC as a component of indirect gas costs.

2. Cost of Capital

We appreciate the concise and thorough response to our record request concerning a recalculation of the return on equity while holding the revenue requirement at \$6,091,477 and cost of debt at 4.93 percent while adjusting the debt-to-equity ratio from 48:52 to 50:50. While we have concerns about the debt-to-equity ratio, return on equity, and cost of debt, we will address these concerns in an upcoming investigative docket that will span electric, gas, and water utilities. In this docket, we approve the cost of capital proposed in the Settlement. This approval is in the context of a settlement and shall not have any precedential effect on our future decisions.

3. Revenue Decoupling Mechanism

We approve a Revenue Decoupling Mechanism (RDM) for Northern effective August 1, 2022. At that time, Northern shall cease accruing Lost Base Revenue (LBR) due to energy efficiency and shall transition to decoupling. The RPC will use a Revenue Per Customer ("RPC") model that reconciles monthly actual and authorized RPC by rate group. We will allow the RPC to be calculated separately for the four rate groups described in the Settlement, however, we are concerned that the groups may not be sufficiently large to protect customers from severe impacts of loss of load.

We suggest that the parties keep track of any individual customer impacts caused by this customer grouping.

Regarding the frequency of the adjustment, we approve a separate rate for the winter and summer periods. We will hold a hearing and review and approve the RDA for both winter and summer periods once a year before the November 1 effective date of winter rates when the LDAC is set. We will not hold a second hearing for the summer period in order to limit administrative burden on both the Company and the regulatory staff.

We approve an RDA cap of 4.25 percent of approved distribution revenues for each group over the relevant Measurement Period(s) for over- and under-recoveries. 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 shall be deferred, with carrying costs accrued monthly at the Prime Rate.

4. Step Adjustment

In a separate docket, we will consider Northern's request for a single step adjustment to be effective September 1, 2022, to adjust Northern's revenue requirement to account for non-growth plant capital additions made during calendar year 2021. In agreeing to consider this single step adjustment, however, we note that our decision here is limited to a finding that a step adjustment for plant added in 2021 may be allowed, if the method of calculating the step is appropriate and the resulting rate increase is reasonable. We have opened docket DG 22-020 to review the specific terms of the step adjustment and to examine the costs and accounting for the revenue increase. The proposed definitions for the step as well as the illustrative revenue calculations presented issues that were unresolved through testimony at hearing.

As a result, the definitions and lists of accounts to be included in the Step Adjustment contained in the Settlement are not approved in this order. Those details supporting the step adjustment will be reviewed and decided in docket DG 22-020. Once the revenue amounts are determined in docket DG 22-020, Northern may recover the annual revenue associated with the Step Adjustment over the eleven-month period September 1, 2022, through July 31, 2023. In subsequent years, the Step Adjustment revenues will be recovered over a twelve-month period, August 1 – July 31.

We note that the request for a step adjustment in this case is consistent with numerous other requests we have received in recent New Hampshire utility rate cases. We intend to open an investigation to examine the appropriate calculation for step adjustments in the future.

5. Exogenous Events

We approve the exogenous events exception to the rate case stay-out and will review any request by Northern for a rate change due to an exogenous event during that period.

6. Tariff Changes and Rate Design

We approve the rate design contained in the Settlement based upon the approval of a permanent revenue increase of \$6,091,477 over rates in effect during the 2020 test year as provided in the Settlement. The Commission notes the following annual percentage increase in the rate base and operating revenue (i.e., revenue collected through rates) that has been collected over the past ten years, and between the two recent rate cases.

Test year	Percentage Change		Yearly Increase	
	2016 vs 2020*	2010 vs 2020**	2016 vs 2020	2010 vs 2020
Rate Base	43.35%	171.32%	9.42%	10.50%
Operating Revenue	35.86%	124.86%	7.96%	8.44%

Source: DG 21-104 - NHPUC RR 1-2 Attachment 1, and Exhibit 15 (Settlement attachments 1)

* Increase from 2017 to 2021 Settlement

** Increase from 2011 to 2021 Settlement

We find this trend of annual rate base increases in excess of 10 percent a year significant. The increases in annual capital expenditures have consistently outpaced any increase in customers. We will endeavor to work with the utilities to identify causes for, and possible reductions to, these annual increases. We intend to focus more regulatory attention on the utilities' least cost integrated resource plans in order to review in more detail the utilities' annual capital spending plans and the justification for additional investments.

7. Miscellaneous Adjustments

The Settlement contains a number of agreements concerning the calculation and recovery of various expense or accounting items including: recoupment and rate case expenses, working capital, COVID-19 related costs, bad debt, property taxes, regulatory assessment, excess accumulated deferred income taxes and depreciation. For each of these items we find the terms of the Settlement represent a reasonable result and appropriately balance ratepayer and Company interests. We approve these items.

B. Motions for Confidential Treatment

The New Hampshire Supreme Court has interpreted the exemption for confidential, commercial, or financial information to require an "analysis of both whether the information sought is confidential, commercial, or financial information,

and whether disclosure would constitute an invasion of privacy.” *Union Leader Corp.v. NH Housing Fin. Auth.*, 142 N.H. 540, 552 (1997) (quotations omitted). “Furthermore, the asserted private confidential, commercial, or financial interest must be balanced against the public’s interest in disclosure, since these categorical exemptions mean not that the information is per se exempt, but rather that it is sufficiently private that it must be balanced against the public’s interest in disclosure.” *Id.* at 553 (citation omitted).

In furtherance of the Right-to-Know law, the burden of proving that the information is confidential and private rests with the party seeking non-disclosure. *See Goode v. NH Legislative Budget Assistant*, 148 N.H. 551, 555 (2002). RSA 91-A:5, IV expressly exempts from public disclosure requirements any “records pertaining to ... confidential, commercial or financial information“In determining whether commercial or financial information should be deemed confidential and private, we consider the three-step analysis applied by the Commission’s rule on requests for confidential treatment, N.H. Code Admin. Rules Puc 203.08. The rule is designed to facilitate the balancing test required by the relevant case law by requiring petitioners to: (1) provide the material for which confidential treatment is sought or a detailed description of the types of information for which confidentiality is sought; (2) reference specific statutory or common law authority favoring confidentiality; and (3) provide a detailed statement of the harm that would result from disclosure to be weighed against the benefits of disclosure to the public. *See* Puc 203.08(b).

In its motion submitted with the Settlement, Northern seeks to protect information contained in its revenue schedules and work papers attached to the Settlement and related to its special contract with an individual customer. Northern asserts that the schedules and workpapers contain sensitive and confidential

commercial and financial information including customer usage data, confidential special contract rates, customer charges and monthly fixed charges, customer usage by therm, and special contract revenues.

Northern filed a motion in connection with similar information as part of its initial rate case filing in this docket. That motion remains pending before the Commission and in addition to the special contract analysis described above, the earlier motion requests protection of; (1) a variance analysis containing the results of a discounted cash flow (DCF) analysis as calculated by Northern's proprietary financial model, provided in Schedule CGDN-6 to the pre-filed testimony of Christopher Goulding and Daniel Nawazelski; (2) sensitive commercial information contained in a Maine report on Northern's gas supply resource procurement and management, provided in the Volume of Supplemental Filing Requirements pursuant to N.H. Code of Administrative Rules Puc 1604.01(a)(13); and (3) certain Company Officers' Compensation contained in the Volume of Supplemental Filing Requirements pursuant to N.H. Code of Administrative Rules Puc 1604.01(a)(14).

According to Northern, the Commission has previously evaluated and granted confidential treatment to the information relating to special contracts and to executive compensation, *see* DG 17-070, Order No. 26,129 at 16. The Company urges the Commission to reach the same conclusion in this case.

1. Special Contract Analysis

Northern seeks to protect this information from public disclosure in order to protect Northern's competitive position as well as that of its customer. According to Northern, release of the confidential information would likely result in harm to the Customer in that it would divulge sensitive and confidential commercial and financial information that the Customer would not otherwise disclose. This information would

be of interest to competitor entities and may be utilized to gain a superior competitive position over the Customer. Northern also seeks to protect this information from public disclosure in order to protect Northern's competitive position. According to Northern, release of the above-described confidential information would likely result in harm to Northern in the form of being disadvantaged in price negotiations with customers or potential customers who have alternative options, whether from bypass, alternative fuel supplies, or from direct competitors. Public knowledge of the confidential information would impair Northern's future bargaining positions and thus its ability to obtain the maximum possible contribution to fixed costs. Northern claims that it must be able to maximize such contributions to fixed costs in order to benefit its firm ratepayers.

We find that this information is confidential. We also find that the analysis of the special contract revenues is of interest to the public. When balanced against the competitive harm that disclosure could cause, however, we find the balance is in favor of protecting the special contract information from disclosure and we grant the motion to keep that information confidential.

2. Executive Compensation

Individual employee compensation is generally confidential, and we find that it falls within the confidential financial category of RSA 91-A:5 (IV). The public has an interest in understanding the expenses a utility incurs in connection with a rate case, however, this interest must be balanced against Northern's competitive harm in future recruiting efforts if this salary information is disclosed to the public. On balance we find that the individual salary information should be protected from disclosure, however, aggregated salary expenses should be available as part to the rate case filing. Thus, we grant confidential treatment of individual employee compensation.

3. Maine Public Utilities Commission Report on Northern

Northern filed copies in redacted and confidential form of the Final Report issued by the Maine Public Utility Commission's third-party consultant. Liberty Consulting Group on December 19, 2019. The report contained analysis of the Company's gas supply procurement and management processes. We agree that such information is confidential and that its disclosure could disadvantage Northern competitively in future contract negotiations with gas suppliers. Further, the information is not central to issues to be decided in this rate case and on balance we find that the information should be protected from disclosure. Thus, we grant confidential treatment to the December 19, 2019, report.

4. Discounted Cash Flow Analysis for Epping, New Hampshire

Northern seeks to protect its variance analysis comparing the original discounted cash flow (DCF) analysis for the Epping franchise and a subsequent revised DCF analysis. Schedule CGDN-6 to the rate case petition contains the original results of the Company's DCF analysis, as well as updated results using actual costs and revenues and projected future revenues. We find that Northern's DCF model as well as the results of its analysis of the Epping franchise are confidential. While customers may have some interest in disclosure of these results, that interest is outweighed by the potential harm of disclosure. We agree that the Company's competitors could use the information to Northern's disadvantage. As a result, we will grant confidential treatment of the Epping analysis and protect it from disclosure to the public.

Based upon the foregoing, it is hereby

ORDERED, the Settlement is APPROVED IN PART as discussed in this order; and it is

FURTHER ORDERED, that a permanent revenue increase of \$6,091,477 is APPROVED effective, August 1, 2022, as provided in the Settlement and as discussed in this order; and it is

FURTHER ORDERED, that a revenue decoupling mechanism as discussed in this order is APPROVED effective August 1, 2022; and it is

FURTHER ORDERED, that the Motions for Confidential Treatment are GRANTED; and it is

FURTHER ORDERED, that Northern shall file conforming tariffs within 20 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this twentieth day of July, 2022.


Daniel C. Goldner
Chairman


F. Anne Ross
Special Commissioner

Service List - Docket Related

Docket# : 21-104

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