

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 21-131

NORTHERN UTILITIES, INC.

2021-2022 Winter and 2022 Summer Cost of Gas

Order Establishing Cost of Gas Rates

O R D E R N O. 26,539

October 29, 2021

In this order the Commission approves cost of gas rates for the 2021-2022 winter period and for the 2022 summer period. Residential heating customers will pay 93.92 cents per therm for the winter period which represents a 28.39 percent increase over last winter's rate, and 51.76 cents per therm for the summer period, which represents a 4.14 percent increase over last summer's rate. The costs for the winter and summer periods are reflective of the competitively bid commodity prices, hedging, and the Northern pipeline, storage, and peaking strategy.

I. PROCEDURAL HISTORY

On September 17, 2021, Northern Utilities, Inc. (Northern or the Company) submitted a winter 2021/2022 and summer 2022 cost of gas (COG) filing outlining its proposed COG for the winter period (November 1, 2021 through April 30, 2022) and the summer period (May 1, 2022 through October 31, 2022), including proposed local distribution adjustment charges (LDAC) for the period of November 1, 2021 through October 31, 2022. The Office of Consumer Advocate (OCA) indicated that it would participate in this docket, by letter filed on September 22, 2021. On October 11, 2021, the Company filed the supplemental testimony of Francis Wells regarding recent price volatility and the Company's actions. The COG submission and subsequent docket filings, other than any information for which confidential treatment is requested of or

granted by the Commission, are available on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-131.html>.

II. BACKGROUND

The Cost of Gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices to reflect increases and decreases in energy supply costs in customer rates without having to go through extended proceedings to change fuel delivery rates. Northern has limited control over the market price of natural gas, which is an unregulated commodity. Similarly, it has limited control over items such as fuel transportation. The COG adjustment mechanism allows the Company to pass those 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 period, which runs from November 1 through April 30 and the summer period which runs from May 1 through October 31. Through the COG adjustment mechanism, the Company may adjust COG rates monthly to incorporate changes in the natural gas markets based on actual costs to date and projected costs for the remainder of the period.

While there is no limitation on reductions to COG rates, rates may be adjusted upward without Commission action up to a cumulative maximum of 25 percent above the approved rate. To the extent that adjustments are based on projected costs, they are subject to periodic reconciliation, after all actual costs are known and reported. As a result, the COG rate fluctuates with market prices and is subject to monthly increases or decreases.

The Commission also has historically set the local delivery adjustment charge (LDAC) within the context of COG proceedings. The LDAC allows for recovery of expenses the Commission has approved in prior dockets through a per therm charge to be determined and implemented through annual COG proceedings. LDAC expenses

include costs associated with Northern's Gas Assistance Program and Regulatory Assessment (GAPRA) rate – formerly known as the Residential Low Income Assistance Regulatory Assessment (RLIARA) rate. LDAC expenses also include the non-distribution portion of the Company's annual regulatory assessment, 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) rate.

III. POSITIONS OF THE PARTIES

A. Northern

Northern's September 17, 2021 filing included proposed tariff pages, schedules, and pre-filed testimony and related attachments from: Christopher A. Kahl, Francis X. Wells, and S. Elena Demeris. According to the direct testimony of Christopher A. Kahl, the proposed winter 2021/2022 COG rate is \$0.9392 per therm for residential customers, a \$0.2077 increase compared to last winter's weighted average residential COG rate of \$0.7315 per therm. The proposed changes to Northern's residential winter COG and LDAC rates are expected to increase a typical residential heating customer's total bill for the winter period by approximately \$93.55 or 9.1 percent.

The proposed winter 2021/2022 commercial and industrial (C&I) high winter use (low load factor) COG rate is \$0.9551 per therm, and the proposed C&I low winter use (high load factor) COG rate is \$0.8453 per therm. The changes in the C&I COG and LDAC rates for high and low winter users are expected to increase a C&I customer's winter bill between 35.45 and 19.18 percent, respectively.

The proposed summer 2022 COG rate is \$0.5176 per therm for residential customers, a \$0.0206 per therm increase compared to last summer's weighted average residential COG rate of \$0.4970 per therm. The proposed changes in residential COG

and LDAC rates are expected to decrease a typical residential heating customer's summer bill by approximately \$3.49 or 1.2 percent over the entire summer period. Northern proposes summer 2022 COG rates of \$0.5445 per therm for C&I high winter use (low load factor) customers and \$0.4740 per therm for C&I low winter use (high load factor) customers. The proposed changes in the C&I COG and LDAC rates for high and low winter C&I customers are expected to change a C&I customer's summer bill between a decrease of 7.41 percent and an increase of 46.86 percent, respectively, over the entire summer period.

Several surcharges are included in the proposed LDAC of \$0.0631 per therm for residential customers and \$0.0360 per therm for C&I customers, compared to the \$0.1099 per therm and \$0.0472 per therm rates, respectively, that are currently in effect. The proposed Environmental Response Cost Rate is \$0.0056 per therm, compared to the \$0.0061 per therm rate currently in effect. The proposed Energy Efficiency Charge is \$0.0449 per therm for residential customers and \$0.0238 per therm for C&I customers, compared to the respective \$0.0774 per therm and \$0.0337 per therm rates currently in effect. The proposed charge to recover expenses related to the Gas Assistance Program is \$0.0060 per therm, compared to the \$0.0044 per therm currently in effect. The Lost Revenue Rate is proposed at \$0.0066 per therm for residential and \$0.0006 per therm for C&I customers, compared to the respective \$0.0220 per therm and \$0.0030 per therm rates currently in effect.¹ At hearing, Northern represented that it hedges approximately 70% of its portfolio to help stabilize pricing.

Northern is updating, and decreasing, its Company Allowance Calculation (for lost and unaccounted for gas and Company use of gas) for the period of November

¹ In Docket No. DG 21-104, Northern has proposed transitioning to decoupling beginning August 1, 2022.

2021 through October 2022 to 1.25 percent. It also proposes changes to its supplier balancing charge, peaking service demand charge, conversion surcharge, and capacity allocator percentages. In the supplemental filing the conversion surcharge for C&I customers are updated reflecting the changing market condition.

B. OCA

At hearing the OCA indicated its support for the cost of gas rates proposed in Northern's filing.

C. Department of Energy

The Department of Energy appeared at the hearing, but did not take a position on Northern's filing.

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, 64-66 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. See *Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). Based on our review of the record in this docket, we find the proposed 2021-2022 winter and 2022 summer COG rates just and reasonable and therefore approve them. We also approve Northern's LDAC rate components. Because the COG rates 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 2022-2023. In addition, with regard to Northern's LDAC rates, we note that some of the rate elements may be adjusted by Commission decisions in other dockets during the course of the LDAC rate period, November 1, 2021 to October 31, 2022. If those Commission decisions impact the LDAC rate, further proceedings for an interim rate adjustment during the LDAC period will be held as appropriate. Pursuant to *Northern Utilities, Inc.*,

Order No. 24,961 (April 30, 2009), 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.

The Commission commends Northern for its hedging and well-considered pipeline, storage and peaking strategy which minimized ratepayer costs in a very difficult commodity environment.

Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc.'s 2021-2022 winter period COG per therm rates effective for service rendered on or after November 1, 2021, and its 2022 summer period per therm rates effective on and after May 1, 2022, are approved as follows

| Customer Class | 2021-22 Winter COG | 2021-22 Winter Maximum COG | 2022 Summer COG | 2022 Summer Maximum COG |
|-----------------------|-------------------------------|---|--------------------------------|--|
| Residential | 0.9392 | 1.1740 | 0.5176 | 0.6470 |
| C&I Low Winter Use | 0.8453 | 1.0566 | 0.4740 | 0.5925 |
| C&I High Winter Use | 0.9551 | 1.1939 | 0.5445 | 0.6806 |

; and it is

FURTHER ORDERED, that 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 (said maximum rates identified in the table above) with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that 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 also include a 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 New Hampshire Code of Administrative Rules Part Puc 1603; and it is

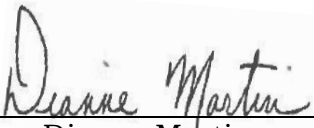
FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Northern's proposed LDAC per therm rates effective for service rendered on or after November 1, 2021, through October 31, 2022, are \$0.0631 and \$0.0360 for residential and C&I customers respectively, subject to interim adjustment of the LDAC as set forth herein above; and it is

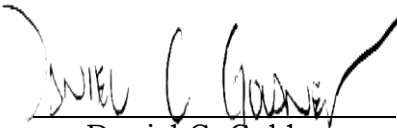
FURTHER ORDERED, that Northern's proposed gas allowance factor of 1.25 percent is approved, as are the other charges contained in the COG filing; and it is

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.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of October, 2021.



Dianne Martin
Chairwoman



Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket# : 21-131

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