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October 30, 2023

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DG 23-085 Northern Utilities, Inc. Petition for Approval of 2023-2024 Winter and Summer 2024 Summer Cost of Gas, *DOE’s Response to Commission Record Request During October 26, 2023 Hearing.*

Dear Chairman Goldner:

A hearing was held in this docket, at 1:00 p.m. on October 26, 2023. During the course of the hearing, the New Hampshire Department of Energy (“DOE” or “Department”) reiterated that the DOE’s position, and its recommendations to the Commission, are subject to DOE’s Final Audit Reports regarding Northern’s Winter 2022-2023 Reconciliation Report (filed with DOE Audit on September 15, 2023, pending) and DOE’s [future] Final Audit Report on Northern’s Summer 2023 Audit Report, and separate report on Northern’s LDAC.¹ See DOE Exhibit 5, *Technical Statement of Arif and Alam* (October, 20, 2023) at 1, 7; October 26, 2023 Transcript (not yet available).

Northern Utilities, Inc. objected to DOE’s position. See Exhibit 5, Attachment 1, Northern’s Response to DOE 1-3 (c) (d) and DOE 1-4 (c)(d); October 26, 2013 Transcript (not yet available). Without support, the Company asserted that its business would be harmed, and that DOE (formerly “PUC Staff”) had never taken such a position.

In DOE’s opinion, the Company’s position is a concern for two reasons and departs from past practice. As requested at hearing the DOE provides supporting authority here.

First, once under/over figures are reconciled – as is the case when they serve as the basis for the next season’s cost of gas or LDAC, unless otherwise noted, the figures have been found prudent and final. See Order No. 26,480 *Liberty Utilities, Keene*

¹ Northern’s Summer 2023 Period will end on October 31, 2023, its reconciliation report will not be filed until sometime thereafter, and only then can DOE’s Audit Division begin review, ultimately resulting in a Final Audit Report. Similarly, until Northern reconciles its LDAC for the period, DOE’s Audit Division cannot review Northern’s conclusions.

Division, at 18-20 (“Prudence is reviewed in a COG [including LDAC] proceeding when a supply or demand element is reviewed and reconciled based on actual costs [or credits] Once the over or under recovery is approved and included in the upcoming period’s rates, the incurred costs, [or credits] are considered prudent, and the over or under recovery will not be retroactively adjusted”).² Second, if the Commission’s October 2023 order on over/under figures for the Winter 2022-23, Summer 2023, and LDAC are “prudent and final” those figures will no longer be amendable to correction, even though they are forecasted (not actual) at this time and no DOE review has been done. This makes DOE’s future Final Audit Reports essentially meaningless. It weakens DOE’s review and the accuracy of the Commission’s orders.

The alternative allows DOE’s Final Audit results to be meaningful. The solution, as requested here, identifies the rates as subject to the future audit results (but nothing else). Commissions have done this in the past. *See* DG 22-041, *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Petition to Recover Revenue Decoupling Adjustment Factor Costs*, DOE Reply Brief (August 10, 2023) at 8-11 (analyzing Concord Natural Gas line of cases: 66, N.H. PUC at 480 (1982); 67 N.H. PUC 113, 114 (1982); 67 N.H. PUC 180 (1982)).³ At hearing (Oct 26 Transcript not yet available), DOE presented its opinion, and asked that the rates be subject to audit. *See* Transcript (not yet available) and Exhibit 5.

At the conclusion of the Northern COG hearing, the Chairman volunteered to resolve the matter in this docket. That relief is not requested; the Department has no opportunity to verify Northern’s view that COG Orders have not been subject to DOE Audits. In the opinion of the Department, this matter is ripe for review in Docket No. DG 21-041. The DOE therefore asks that, in this docket, Docket No. DT 23-085, the Commission note that DOE’s position and recommendation is “subject to audit” as it has been in the past (when DOE was “PUC Staff”). *See* Dkt. No. DG 18-145 Liberty Keene COG Docket, Oct. 19, Transcript at 19 (Then Gas Director Frink explains then PUC Staff “have been working with [then]Commission Audit Staff on its audit of last year’s Keene gas costs,” however with a couple of outstanding requests the Commission [now DOE] Audit is “still an open item.”); *id.* at 56-7; Order No. 26,184 (Oct 30, 2018) at 5 (“Staff noted the pending audit of last year’s winter COG supply costs and stated that any material findings would be reported to the Commission when [the PUC Audit Report] is filed. Tr. at 57).

In conclusion, the DOE asks the Commission to make its COG/LDAC order re: Northern’s 2023-2024 COG/LDAC rates, amendable to future review, after all rates and volumes are “actuals” and should DOE’s Final Winter, Summer, or LDAC Final Audit Report require it.

² Further discussed in Docket No. DG 22-041, DOE’s Initial Brief (July 23, 2023) at 19.

³ *See* DG 22-041, DOE Initial Brief at 12, 19 (prudence of over/under calculation after Commission approval of reconciled amount).

Consistent with the Commission's current practices, this letter is being filed only in electronic form.

Sincerely,

/s/ Mary E. Schwarzer

Mary E. Schwarzer, Esq.
Hearings Examiner

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