



February 12, 2024

Daniel Goldner, Chairman
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, New Hampshire 03301

**RE: Docket No. DG 23-086, Revenue Decoupling Adjustment Factor
Rebuttal Testimony of Northern Utilities, Inc.**

Chairman Goldner,

In connection with the above-referenced matter, please find enclosed the Rebuttal Testimony of Northern Utilities, Inc. (“Unitil” or the “Company”). The Company’s Rebuttal Testimony responds to the Technical Statements submitted by the New Hampshire Department of Energy (the “Department”). The Department’s technical statements depart materially from the Settlement Agreement approved by the Commission in DG 21-104.

In its initial filing in DG 21-104, Unitil proposed a revenue decoupling mechanism that implements a “revenue per customer” (“RPC”) methodology. The Company, the Department, and the Office of the Public Advocate (collectively, the “Settling Parties”) negotiated and entered into a Settlement Agreement in which the Settling Parties agreed that Unitil would implement a revenue decoupling mechanism “substantially as proposed” in the Company’s initial filing. The Settlement Agreement unambiguously sets forth the agreement of the Settling Parties that Unitil would implement an RPC revenue decoupling model that reconciles monthly actual and authorized RPC by rate class. The method for calculating the Revenue Decoupling Adjustment (“RDA”) and Revenue Decoupling Adjustment Factor (“RDAF”) is set forth in detail in the Settlement Agreement. The Commission, after conducting a hearing, approved the Settlement Agreement and, again, unambiguously explained that the Company would use an RPC model and described in detail how the model will work. DG 21-104, Northern Utilities, Inc., Order No. 26,650 at 4-6 (July 20, 2022).

On September 15, 2023, Unitil filed, pursuant to Order No. 26,650 and NHPUC No. 12 – Gas First Revised Pages 163-168, its Petition for approval of the Company’s

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proposed RDAF for effect November 1, 2023. The Settling Parties agreed on a process in which the Company would make an annual RDAF filing on September 15 for rates effective November 1. The Company's RDA and RDAF are calculated in the manner set forth in the Settlement Agreement, Order 26,650, and the Company's tariff. Despite the fact that the Company submitted a timely filing consistent with the terms of the DG 21-104 Settlement Agreement and the applicable Commission-approved tariff, Unitil assented to the Department of Energy's October 10, 2023 request for additional time to conduct discovery on the Company's filing.

On December 8, 2023, the Department submitted a technical statement to the Commission. In that technical statement, the Department declined to offer a position on the Company's filing, stating instead that its "current position and recommendation is that the Commission review and continue its conditional approval of Northern's capped RDAF claim . . . subject to: the pending discoveries from Northern; and future updated filing to be submitted by the Department upon review of . . . pending information." On December 22, 2023, Unitil sought an opportunity to submit rebuttal testimony at a time after the Department provided a supplemental technical statement. On January 5, 2024, the Commission approved an amended procedural schedule providing the Department an opportunity to submit a supplemental technical statement by January 25, 2024 and the Company the opportunity to provide rebuttal by February 12, 2024.

On January 25, 2024 the Department submitted a supplemental technical statement that is extensively critical of the very RPC method to which the Department agreed in the Settlement Agreement and that the Commission approved in Order 26,650. Though the Department does not dispute that Unitil calculated the RDA and RDAF correctly and as prescribed in the Settlement Agreement, Order 26,650, and the Company's Tariff, it nevertheless attempts to dispute and litigate the legitimacy of the RPC method and recommends a disallowance of approximately \$1.15 million based on an alternative decoupling approach to which the Settling Parties did not agree.

The Department conducted extensive discovery in DG 21-104, submitted testimony, negotiated the Settlement Agreement (as well as a settlement in DE 21-030 with an identical RPC revenue decoupling mechanism), and had the benefit of a hearing before the Commission. To the extent that the Department was critical of the RPC method, it had ample opportunity to raise those concerns in DG 21-104. Instead, the Department agreed to implement the RPC revenue decoupling method substantially as proposed in



Unitil's initial filing. It is not appropriate to now disavow the RPC method and recommend a disallowance that is entirely inconsistent with the DG 21-104 Settlement Agreement, Order 26,650, and the Company's tariff. To allow this departure from the approved Settlement Agreement would be contrary to the well-established Commission policy encouraging 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." Order 26,650 at 12. The Department's supplemental technical statement is not in line with the settled expectations of the parties to DG 21-104.

Even assuming, for the sake of argument, that the Commission were to consider the Department's arguments notwithstanding their inconsistency with Order 26,650, they are not appropriate for consideration in this docket. The Settlement Agreement, Order 26,650, and the Company's Tariff set forth a method for calculating the RDA and RDAF; to the extent the RDA exceeds a cap of 4.25 percent of approved distribution revenues for each group over the relevant measurement periods for over- and under-recoveries, the amount over or under 4.25 percent shall be deferred, with carrying costs accrued monthly at the Prime Rate. Order 26,650 at 14. The specific treatment of any remaining carried balances is to be addressed in the Company's next rate case. Id. at 6. To the extent that the Department wishes to revisit the RPC method, it may do so in the Company's next distribution rate case.

Thank you for your assistance with this matter.

Regards,

A handwritten signature in black ink, appearing to read "Patrick H. Taylor", with a long horizontal line extending to the right.

Patrick H. Taylor