

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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NORTHERN UTILITIES, INC.)	DOCKET NO. DE 24-103
Petitioner)	
)	

COMPANY’S RESPONSE TO THE DEPARTMENT OF ENERGY’S MOTION

Pursuant to New Hampshire Code Admin. Rule Puc 203.07, the Northern Utilities, Inc. (“Northern” or “Company”) hereby files this response to the Department of Energy’s (“DOE” or “Department”) Motion to Carve Out Northern’s Requested “Waiver” of the Settlement Agreement for 90-Day Period and Related Procedural Relief, including Canceling the October 29th Hearing (“Department Motion”). In its September 16, 2024 initial filing in the above-referenced matter, the Company proposed a customer cost mitigation strategy intended only to benefit customers. The Company was hopeful that the Department would support this proposal in an effort to benefit ratepayers, while also maintaining the spirit of revenue decoupling, as outlined in the Settlement Agreement approved by the Commission in DG 21-104 (“Settlement Agreement”). *Northern Utilities, Inc.*, Order No. 26,650. As more fully explained below, the Company objects to the Department’s request to carve out Northern’s request regarding the Revenue Decoupling Adjustment (“RDA”) cap and also objects to the Department’s request to enlarge the time period of review to 90 days. The Company will address the Department’s requests as they are laid out in the Department’s Motion. First, to clarify the Company’s proposal in response to the Department’s assertions found on pages 2-5 of the Department’s Motion, the Company states:

1. The Company has proposed a customer mitigation strategy, which includes a request to waive the Revenue Decoupling Adjustment (“RDA”) cap.

2. The Company's Revenue Decoupling Adjustment Factor ("RDAF") provides for an adjustment to distribution rates by comparing actual and allowed revenues based on a Revenue Per Customer ("RPC") approach. As described in the Company's prefiled testimony of S. Elena Demeris and Daniel T. Nawazelski, the Company's RDAF filing calculates the Monthly Revenue Variance ("MRV") for each class group and period. The applicable MRVs plus prior period balances and carrying charges minus prior period RDAF collections result in the RDA for each class group. This calculation is independent of the 4.25 percent cap and is required regardless of whether the Company is over the cap for any rate class group. In other words, the Company's RDA by rate class group is a total balance so there are no additional "complex" calculations completed by the Company as a part of the Company's customer cost mitigation strategy which would require review by the Department. This is the same calculation that the Department reviewed in the Company's 2023 RDAF docket. The Company's RDA has been calculated consistent with the Settlement Agreement and approved Revenue Decoupling Adjustment Clause tariff.
3. The Company's calculation of the RDA balance is not an open question in this docket. In fact, the spirit of revenue decoupling is to make sure that the Company is able to recover the approved RPC despite changes in sales, which may be the result of factors such as increased customer conservation, weather, or economic conditions.
4. The Department's position that any deferred RDA balance could be disallowed at the time of a future base rate proceeding conflicts with the clear intent of the Settling Parties in DG 21-104, as unambiguously expressed in the terms of the Settlement

- Agreement. In DG 21-104, the Settling Parties agreed that Northern would implement a revenue decoupling mechanism “substantially as proposed” in the Company’s initial rate case filing. Specifically, the Settling Parties agreed that the Company would implement revenue decoupling using a “Revenue Per Customer” model that reconciles monthly actual and authorized RPC by rate class. To the extent that there is a deferral balance related to the approved RPC, the Company is assured recovery of that balance in a manner to be determined in its next base rate case. The portion of the Settlement Agreement that discusses treatment of any remaining deferral is limited to *how* the Company would recover those costs, not *whether* the Company would recover those costs. To deny the Company recovery of those costs at a later date, would completely undermine the revenue decoupling ratemaking paradigm.¹
5. After establishing the RDA by rate class group, the Company then ordinarily applies the 4.25 percent cap which results in the amount to be collected through the RDAF.
 6. In the instant matter, the Company has proposed to mitigate cost impacts to customers. Specifically, the Company proposes to implement an RDAF with a revenue requirement that includes the remaining balance rather than deferring it and spreads out collection over twenty-four months rather than twelve.²

¹ The Department inaccurately summarizes the Commission’s analysis in DG 23-085, Order No. 26,993, in which it was actually the *Department* that requested the Commission make a finding regarding the Company’s ability to collect the carry-forward balance during a subsequent base rate case. The Commission declined to address this issue as the Company did not request specific relief regarding the carry-forward balance in its petition in that matter. Order No. 26,993, at 7 (2022).

² The Department suggests that the Company did not provide illustrative RDAFs utilizing the cap and 12-month collection period and only provided them in response to discovery, but is important to note that the Company provides these capped illustrative rates in Attachment SED-1B which has been readily available for review by the Department since September 16, 2024. Attached to this Response, the Company provides Revised Attachment SED-1B, which has been updated to correct a linked error. The peak period rates for some residential non-heat customers change slightly due to this correction.

7. When establishing rates, the Company makes every effort to minimize over or under collections. These variances are impacted by factors including but not limited to, the impact of weather, changes in usage per customer, energy efficiency and other economic considerations. The Company has been monitoring the deferral and maintains that the customer cost mitigation strategy proposed in this proceeding is reasonable and in the public interest. This proposal will avoid carrying charges that otherwise would be charged to customers on the increasing deferral. It will also mitigate the need for the Company to file a base rate case to address the deferral, and thereby avoid the cost and resources required to pursue that option.
8. The Company clarifies that should there be a remaining over collection above the cap at the time of the Company's next base rate case, the Company would of course adjust its rates accordingly in order to return any over-collection to customers.
9. The carrying charges that would result from applying a capped twelve-month RDAF (as shown in Attachment SED-1B), as opposed to Northern's proposed RDAFs found in Attachment SED-1 are outlined below. Based on the prime interest rate at the time of the Company's initial filing of 8.50 percent, uncollected interest on the total October 2025 deferral balance of \$7,675,722 is approximately \$652,400. This amount is simply the annual interest on the uncollected deferral balance. The Company attaches Northern Response Attachment 1, which provides supporting calculations illustrating the impact to interest under a scenario where the Company's request to collect its deferral over two years is denied (see pages 2 and 3 for peak and off-peak period interest, respectively). These calculations isolate the impact to interest and

length of recovery based on a peak period RDA of \$5,965,633 and off-peak period RDA of \$1,735,671; RDAs for future periods (i.e., periods beginning November 2024, and forward) are not estimated and therefore their impact to this deferral amount is unknown.

10. These calculations are intended to be illustrative and were prepared using, for estimates only, the prime interest rate of 8.50 percent, and the current peak and off-peak caps of \$1,007,105 and \$364,333, respectively. As shown on page 1, based on an annual recovery amount of \$1,371,438 (the sum of current peak and off-peak caps), the Company estimates an eight-year recovery of the deferral, which would result in \$2,732,306 of interest, or \$10,433,611 total recovered. Under the Company's proposal to recover the deferral over two years, estimated interest totals \$1,371,438. The estimated interest savings due to the change in recovery length is \$1,360,868.
11. The Department implies that the carrying costs savings are not substantial enough to warrant a waiver. The Company, on the other hand, does not view \$652,400³ of annual carrying costs as "modest" regardless of the total balance. To put this amount into perspective, this amount of savings is approximately 34⁴ percent of the total peak and off-peak RDA caps.

Next, the Company will address the Department's arguments regarding the form of Northern's request and authority of the Commission to grant such a request. In response, the Company states:

³ Total deferral balance of \$7,675,722 x 8.50 percent prime interest rate = 652,436

⁴ $\$652,436 \div (\$1,317,702 + 599,106) = 34$ percent

12. The Company does not propose to circumvent the rights of the Settling Parties, but instead seeks the support and approval of the Department and Commission in implementing this cost mitigation strategy.
13. In the Settlement Agreement at Section 11, the settling parties agreed that “approval of the proposed Settlement Agreement [was] in the public interest and [would] result in just and reasonable rates”. The Company’s proposed customer cost mitigation strategy is consistent with the just and reasonable rate principle⁵ and is in the public interest. Therefore, the Company’s proposal is consistent with the letter and spirit of the Settlement Agreement.
14. The most logical course of action is for the Settling Parties to agree to this proposal for the benefit of customers. The Company continues to engage with the Department in order to help facilitate the Department’s review and come to an agreement on a customer cost mitigation strategy.
15. This request is not a request for permission to go outside the bounds of the Settlement Agreement. Rather, this request is a proposal to mitigate the long-term impacts to rate payers of costs the Company is clearly entitled to recover under the terms of the Settlement Agreement.
16. The Company takes issue with the Department’s allegation that “the Company seems to seek expedited recovery of deferred amounts to the benefit of the Company and the detriment of rate payers.” This assertion ignores the \$652,400 of annual carrying

⁵ The Company notes that the rates proposed in both Attachments SED-1 and Revised Attachment SED-1B are just and reasonable, however, the Company’s customer cost mitigation strategy is trying to reduce future rate shock while maintaining rate continuing and recovering revenues in a timely manner while decreasing carrying costs.

charges that would be avoided if the Commission approves the Company's customer cost mitigation strategy.

17. There is no harm to the Settling Parties associated with the Company's proposal, because the costs at issue are clearly recoverable under the Settlement Agreement, whether they are recovered now through this cost mitigation strategy or as a part of the Company's next base rate case.
18. The Company notes that the Office of the Consumer Advocate ("OCA") was provided notice and a copy of this filing and the Company's request for waiver via email on September 16, 2024. The OCA subsequently intervened in the Company's annual cost of gas filing, DG 24-102, but declined to intervene and be heard regarding the Company's proposal in this docket.
19. The Company disagrees with the DOE's claim that were the Commission to "grant Northern's requested 'waiver' over the Department's objection, the Department would have the right to request a new hearing on Northern's RDA formula potentially including but not limited to redesigning Northern's decoupling formula or seeking to withdraw the settlement in its entirety." Not only is this false, but completely misrepresents and disregards the Company's proposal. The Company seeks to maintain the integrity of the Settlement Agreement, which is why this proposal is specific, transparent and narrowly tailored to the circumstances.

Finally, the Company addresses the Department's request for an additional 90 days to consider Northern's proposal. In response, the Company states:

20. It is unusual to request an additional 90 days to consider a proposal which the Department has clearly reviewed and examined in depth and adamantly argues against in the same Motion. It is unclear what the additional time would allow for since the Department has taken such a strong stance against the Company's proposal. The Company's proposal is not complex, and the fact that the Department was able to go into such detail regarding their position on the proposal is inconsistent with their request for additional time.
21. The Company reiterates what is stated above that the calculation of the total RDA is subject to Commission and Department review in this matter, whether it is capped or uncapped. By requesting the Commission cancel a hearing that is normally held absent the Company's request for a customer cost mitigation strategy, the Department assumes that the Commission has no questions for the Company regarding this calculation.
22. The Department received the Company's filing on Monday September 16, 2024. The Department issued its first set of discovery on October 2, 2024 to which the Company has responded. The Company has offered to have another round of discovery with a shortened response deadline. The Company has also offered to engage in a technical session, but the Department has not scheduled one. As of the date of this response, the Department's Audit Division has not initiated an Audit of the Company's RDAF filing. The Company is willing to assist in facilitating the Department's review of Northern's proposal in whatever way might be helpful within the timeline established in this docket.

23. Northern objects to the Department's request to carve out the Company's customer cost mitigation proposal and extend the review period by 90 days, because it contravenes the purpose of the Company's proposal. The Company seeks to implement rates on November 1, 2024 that can help to lower the deferral and reduce the amount of carrying costs. Were the Commission to extend the docket 90 days, then Department would miss peak winter billing periods which would help to offset the deferral.
24. In the alternative, the Company has offered to the Department that it could agree to the Company's proposed customer cost mitigation proposal going into effect November 1, 2024 subject to further review and reconciliation over an additional 45 days. The Company has not received a response from the Department as of the time of this filing.
25. The Company endeavors to be cooperative in facilitating the Department's review of its proposal, but does not agree that an additional 90 days is necessary.
26. Should the Commission find it reasonable to enlarge the amount of time to review the Company's proposal, the Company respectfully requests that the Company's proposed rates go into effect subject to further review and reconciliation.

WHEREFORE, by and through counsel, Northern respectfully requests that the Commission:

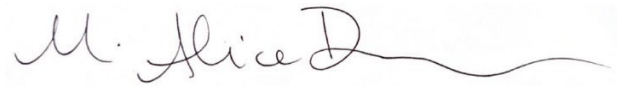
1. DENY the Department's Motion to Carve Out Northern's Requested "Waiver" of the Settlement Agreement for 90-Day Period and Related Procedural Relief, including Canceling the October 29th Hearing; and

2. RETAIN the October 29th hearing date regarding the Company's proposal; and
3. ORDER any other such relief as may be appropriate.

Respectfully submitted,

NORTHERN UTILITIES, INC.

By its Attorney:

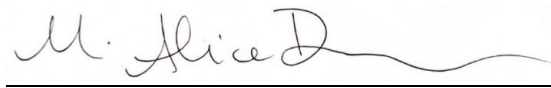
A handwritten signature in cursive script that reads "M. Alice D" followed by a long horizontal flourish.

Alice Davey
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CERTIFICATE OF SERVICE

I certify that I have caused copies of Northern Utilities, Inc.'s, "Response to the Department's Motion" to be served on the New Hampshire Department of Energy.

Dated this 18th day of October, 2024.

A handwritten signature in cursive script that reads "M. Alice D." followed by a long, wavy horizontal line extending to the right.

Alice Davey