

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

IR 22-048

ELECTRIC, GAS, AND WATER UTILITIES

Investigation of Step Adjustment Methodology and Process

ORDER OF NOTICE

In Order No. 26,656 (July 28, 2022) and Order No. 26,657 (July 28, 2022), the Commission made findings regarding the necessity for an investigation to examine the accounting and calculation methodologies for step adjustments presented by New Hampshire's electric and gas utilities.

Step adjustment filings have become a frequent feature of ratemaking in our State before this Commission. A high volume of step adjustment filings for utilities in the electric, gas and water industries are often under review, with these filings typically accompanied by a considerable amount of supporting accounting schedules and technical information. Furthermore, the methodologies, durations, and calculations of step adjustments amongst the regulated utilities remain inconsistent and uncoordinated. Despite the complexity involved in our review, petitioners frequently request procedural schedules consisting of an expedited and, in many cases, relatively abbreviated review by the Commission, the New Hampshire Department of Energy (DOE), and other interested persons and stakeholders.

The Commission believes that the issue of step adjustments is ripe for review, given the differences regarding the calculation methodologies used in developing step adjustment schedules, as well as the administrative challenges of adjudicating multiple step adjustment petitions each year with an abbreviated review schedule. As such, the Commission requires an investigation of all aspects of step adjustment

development and process. We have determined that this investigation should embrace utilities in the electric, gas, and water industries.

We therefore open this investigatory proceeding to examine all pertinent aspects of step adjustments by electric, gas, and certain water¹ utilities in New Hampshire. This investigation will aid the Commission in its role of examining step adjustment petitions to ensure just, reasonable, and accurate rates, and may serve as a starting point for reconciliations of recent step adjustment calculations and modifications of future proposals. *See, e.g.*, Order Nos. 26,623; 26,656; 26,657; and 26,661. *See also* RSA 374:2; 374:4; 374:8; 374:10; 374:11; 374:13; 378:5; 378:7; 378:8.

Because this is an investigative docket, it will not conclude with a final order or other result binding on the participants in this or future dockets. The purpose is to engage stakeholders in an open, overarching, and collaborative process that is free of certain procedural constraints that exist in adjudicative dockets. The results may take the form of non-binding guidance, procedural and/or operational changes on the part of the Commission, a decision by the Commission to initiate one or more rulemaking or adjudicative dockets, a report with information that may benefit legislators, or some combination of the above.

This investigation is commenced pursuant to the Commission's investigatory authorities: RSA 365:5, 365:6, 365:15, 365:19, 374:4, and 374:7. This order of notice 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://puc.nh.gov/Regulatory/Docketbk/2022/22-048.html>.

¹ This investigation is limited to water utilities defined as "Class A utilities," having annual water operating revenues of \$750,000 or more. N.H. Code Admin. R. Puc 602.01.

ISSUES PRESENTED

This investigation will review questions related to: the necessity for ongoing step adjustments for utilities; the ratemaking and calculation methodologies used; the number of step adjustments, if any, between rate cases and the resulting procedural schedules; and the processes used by the Commission, petitioners, and participating parties for developing data and recommendations. Accordingly, this docket will examine, *inter alia*, issues related to RSA 374:2; 374:4; 374:8; 374:10; 374:11; 374:13; 378:5; 378:7; 378:8; including, but not necessarily limited to:

1. The advisability for continuing the step adjustment ratemaking paradigm in the current regulatory and economic environment in New Hampshire;
2. The calculation methodologies used to develop step adjustments, including the treatment of depreciation and other categories of expense, rate of return, etc.;
3. The role of the DOE's Audit Division in step adjustment review proceedings;
4. Potential enhancements to review proceedings, including timing of step adjustment filings and proposed rate effective dates;
5. The role of settlement agreements in full rate case proceedings in guiding step adjustment filings and criteria, including criteria related to project qualification;
6. The qualification criteria for step adjustments in general; and
7. The appropriateness of reconciliation adjustments.

All electric, gas, and Class A² water utilities regulated by the Commission shall participate in this investigation; all other interested stakeholders are encouraged to participate. Each party has the right to have an attorney represent the party at the party's own expense.

² N.H. Code Admin. R. Puc 602.01.

The Commission hereby schedules a prehearing conference to occur on October 13, 2022, at 9:30 a.m. At the prehearing conference the Commission will hear preliminary comments from the utilities and stakeholders on the topics raised herein and consider a procedural schedule for the remainder of this investigation. The utilities and interested stakeholders are encouraged to pre-file comments on the procedural schedule and scope of this investigation.

Based upon the foregoing, it is hereby

ORDERED, that the Clerk's Office shall notify all persons of this investigation by publishing a copy of this Order of Notice on the Commission's website no later than two business days after the date of issue, www.puc.nh.gov, and by electronic mail to the electric, gas, and Class A water distribution utilities; and it is

FURTHER ORDERED, that the electric, gas, and Class A water distribution utilities shall be mandatory parties to this investigation; and it is

FURTHER ORDERED, that any entity or individual may petition to intervene and seek to be admitted as a party in this proceeding. Each party has the right to have an attorney represent the party at the party's own expense; and it is

FURTHER ORDERED, that, consistent with N.H. Admin. R., Puc 203.17 and Puc 203.02, any entity or individual seeking to intervene in the proceeding shall file with the Commission a petition to intervene with copies sent to the electric, gas, and Class A water utilities and any other parties on the service list, on or before September 13, 2022. The petition shall state the facts demonstrating how the petitioner's rights, duties, privileges, immunities, or other substantial interests may be affected by the proceeding, consistent with N.H. Admin. R., Puc 203.17; and it is

FURTHER ORDERED, that any party objecting to a petition to intervene make said objection on or before September 27, 2022; and it is

FURTHER ORDERED, that the Commission will hold a prehearing conference, pursuant to N.H. Admin. R., Puc 203.15, at its offices located at 21 S. Fruit St., Suite 10, Concord, New Hampshire, on October 13, 2022, at 9:30 a.m., at which each party should be prepared to address any of the issues set forth in N.H. Admin. R., Puc 203.15; and it is

FURTHER ORDERED, that during the prehearing conference, the Commission will consider the matters listed in Puc 203.15(c) and (d), including the establishment of a procedural schedule governing the remainder of the proceeding and further defining the scope of this investigation. The utilities and interested stakeholders are encouraged to pre-file comments on these topics so that the presiding officer can address any matters on which there is disagreement during the prehearing conference. Such comments shall be filed no later than October 4, 2022. Any procedural schedule, however, will not be approved until after the prehearing conference and after consulting the Commission's calendar; and it is

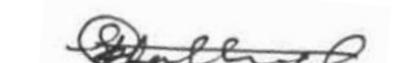
FURTHER ORDERED, that routine procedural inquiries may be made by contacting the Commission's Clerk's Office at (603) 271-2431 or ClerksOffice@puc.nh.gov. All requests to the Commission should be made in a written pleading filed with the Commission. Unless otherwise authorized by law, *ex parte* communications are prohibited; and it is

FURTHER ORDERED, that any hearings in this matter shall be conducted in accordance with the attached hearing guidelines.

So ordered, this twenty-sixth day of August, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket# : 22-048

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