

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 15-083

NORTHERN UTILITIES, INC.

Petition for Step Adjustment to Rates

Order *Nisi* Approving Step Adjustment to Rates

ORDER NO. 25,779

April 15, 2015

In this order, the Commission approves Northern's request for a step adjustment in its distribution rates, which will result in a \$1,823,611, or 6.8%, increase in its annual distribution revenues, with rates effective on May 1, 2015. For a typical residential heating customer, based on monthly average usage for that customer class, the annual bill impact will be an increase of \$43.57, or 3.1%. This order is being issued on a *nisi* basis to ensure that all interested parties receive notice of the Commission's order and have the opportunity to request a hearing prior to its effective date.

I. BACKGROUND

Northern Utilities, Inc. (Northern), is a public utility that supplies natural gas to its New Hampshire Division customers in southeastern New Hampshire. (Northern also has a separate Maine Division serving customers in southern Maine that is not a subject of this Order.) On April 21, 2014, in Order No. 25,653, the Commission approved a Settlement Agreement (Settlement) in Docket No. DG 13-086, Northern's most recent full distribution rate case. *See* Hearing Exhibit 3, Docket No. DG 13-086. The Settlement contemplated a "Step 2 Distribution Rate Adjustment" (Step Adjustment) to enable Northern to recover for certain

qualifying investments made in its physical plant. Specifically, the Step Adjustment is designed to recover the annual revenue requirement associated with Northern's capital investments in "Eligible Facilities," as defined by the Settlement, of up to \$12.0 million during calendar year 2014.

On February 27, 2015, in accordance with the Settlement, Northern requested activation of the Step Adjustment in its current rates, to be effective on May 1, 2015. Northern's requested Step Adjustment would result in a \$1,823,611, or 6.8%, increase in its annual distribution revenues. Northern's filing identified \$13,684,364 in Eligible Facilities investments placed in service during calendar year 2014. As Northern's Eligible Facilities investments exceeded the \$12.0 million capped amount specified by the Settlement, the revenue requirement calculations applied by Northern in its Step Adjustment request corresponded only to the first \$12.0 million of the investment, which produced a revenue requirement for the proposed Step Adjustment of \$1,823,611 using the methodology specified by the Settlement. In support of its petition, Northern also filed financial schedules (including bill impact schedules) and proposed amended Tariff schedules. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://puc.nh.gov/Regulatory/Docketbk/2015/15-083.html>.

On April 10, 2015, Commission Staff (Staff) filed a letter recommending Commission approval of Northern's Step Adjustment petition, with some technical observations regarding minor, non-material accounting errors in Northern's filing. *See* Letter of Stephen P. Frink to Executive Director Debra A. Howland, April 10, 2015. In its letter, Staff noted that it had reviewed the filing, conducted discovery, and performed an audit of Northern's petition.

Staff, through its review, confirmed that for the purposes of Step Adjustment recovery: Northern's carry-over of certain calendar year 2013 investment projects to calendar year 2014 was consistent with project carry-over in other years; Northern properly applied the correct return on equity (ROE) percentage of 9.25% specified in the Settlement for the corresponding rate of customer growth in 2014 on Northern's system; Northern properly applied the Settlement's terms for depreciation methodology; and Northern properly applied the Settlement's terms for property taxes. Staff concluded that Northern had complied with the terms of the Settlement and was eligible for Commission approval of its proposed Step Adjustment.

II. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to fix rates after a hearing upon determining that the rates, fares, and charges are just and reasonable. Traditional rate-of-return principles permit a utility to recover prudently incurred operating expenses along with "the opportunity to make a profit on its investment, in an amount equal to its rate base multiplied by a specified rate of return." *See Appeal of Conservation Law Foundation*, 127 N.H. 606, 634 (1986).

Having reviewed Northern's filing and Staff's recommendation, we find that the subject plant improvements in Eligible Facilities were prudently incurred, and were used and useful in the provision of utility service, consistent with RSA 378:28. We further find that the Step Adjustment to the revenue requirement and the associated increase to customer rates are just and reasonable, and in conformity with the terms of the Settlement and Order No. 25,653.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, Northern's request to include certain plant in rate base and increase its annual revenue requirement by \$1,823,611 is hereby APPROVED;

FURTHER ORDERED, that Northern's request to increase customer rates as specified in its proposed Tariff schedules supplied with the instant petition is hereby APPROVED;

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than April 20, 2015, and to be documented by affidavit filed with this office on or before April 27, 2015; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than April 23, 2015, for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 27, 2015; and it is

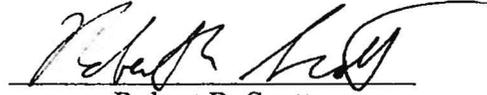
FURTHER ORDERED, that this Order *Nisi* shall be effective April 28, 2015, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Northern shall file a compliance tariff with the Commission on or before May 15, 2015, in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this fifteenth day of
April, 2015.

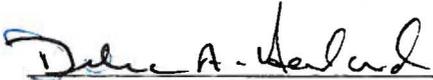


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director