

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 17-070

NORTHERN UTILITIES, INC.

Petition for Permanent and Temporary Rates

Order Approving Temporary Rates

ORDER NO. 26,043

July 31, 2017

APPEARANCES: Gary Epler, Esq., on behalf of Northern Utilities, Inc.; the Office of the Consumer Advocate by Brian Buckley, Esq., on behalf of residential ratepayers; Paul B. Dexter, Esq., and Alexander Speidel, Esq., on behalf of Commission Staff.

In this order, the Commission approves a temporary rate increase for Northern Utilities, Inc., effective August 1, 2017, which will remain in place until the end of the Company's permanent rate case. A typical Northern residential heating customer who uses 738 therms per year is expected to see a total annual bill increase of approximately \$17 (or 1.4 percent). The temporary rates are subject to reconciliation based on the outcome of the permanent rate case.

I. PROCEDURAL HISTORY

On June 5, 2017, Northern Utilities, Inc. (Northern or the Company), filed a Petition for Rate Adjustments. In its petition, Northern requested that the Commission: (1) grant a permanent increase in Northern's distribution rates effective with service rendered on or after July 5, 2017, designed to yield an increase of \$4,728,445 in annual revenues; (2) set temporary rates effective with service rendered on or after August 1, 2017, designed to yield an increase of \$1,996,875 in annual revenues, pending the Commission's final determination on the Company's request for a permanent rate increase; and (3) approve a multi-year rate plan that would allow

step adjustments in rates effective July 1, 2018, 2019, and 2020, designed to allow Northern to recover costs associated with capital expenditures which it described as non-revenue producing.

By letter dated April 26, 2017, the Office of Consumer Advocate (OCA) indicated that it would be participating in the proceeding. 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://www.puc.nh.gov/Regulatory/Docketbk/2017/17-070.html>.

Staff, the OCA, and the Company met in a technical session and a settlement conference on July 6, 2017. On July 14, they submitted a Stipulation and Settlement Regarding Temporary Rates (Settlement Agreement) that would resolve all issues in the temporary rate phase of this proceeding. The Settlement Agreement calls for a temporary increase in annual revenues of \$1,600,000, which would be recovered through a per therm increase of \$0.0229, applied to all current rate schedules. Exhibit 2 at 1-2. A typical residential heating customer who uses 738 therms would see a total annual bill increase of approximately \$17 (or 1.4 percent). Exhibit 2, Attachment 4 at 1. The increase would be reconciled to the permanent rates pending the outcome of the full proceeding. On July 24, the Commission held a hearing to consider the Settlement Agreement.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern states that it is seeking temporary rates to "expeditiously address its current under-earnings," which it expects will "be exacerbated by increased expenditures over the next several months." Petition at 4. Northern's Treasurer, David L. Chong, stated at the hearing that Northern had requested a temporary rate increase of approximately \$2 million in order to allow

the Company to reach its last allowed return on equity of 9.5 percent, using 2016 actual results with “only a handful of pro-forma adjustments” including weather normalization. Exhibit 1 at 1-3. Mr. Chong testified that although the settlement increase of \$1.6 million would not bring the Company up to its last allowed return, on balance it would produce just and reasonable rates.

B. OCA

Dr. Pradip Chattopadhyay, the Assistant Consumer Advocate, testified that the rates proposed in the Settlement Agreement are just and reasonable. Dr. Chattopadhyay noted that his conclusion was supported by the fact that any temporary rates approved pursuant to the Settlement Agreement will be reconciled to the level of any permanent rates approved in this case, after full investigation.

C. Staff

Stephen P. Frink, Assistant Director of the Commission’s Gas and Water Division, also testified that the rates in the Settlement Agreement are just and reasonable. He stated that the Company is currently under-earning. Further, he stated that implementing the temporary rates will help prevent potentially sharp rate increases at the conclusion of this proceeding and that any difference between temporary and permanent rates ultimately approved will be reconciled.

III. COMMISSION ANALYSIS

N.H. Code Admin. Rules Puc 203.20(b) provides that the Commission shall approve disposition of any contested case by settlement “if it determines that the result is just and reasonable and serves the public interest.” *See also* RSA 541-A: 31, V (a). Nonetheless, even when all parties in a proceeding enter into a settlement agreement, the Commission cannot approve it “without independently determining that the result comports with applicable standards.” *Unitil Energy Systems, Inc.* Order No. 24,677 at 18 (October 6, 2006).

RSA 378:27 requires the Commission to set temporary rates at a reasonable level, “sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the commission, unless there appears to be reasonable ground for questioning the figures in such reports.” The Supreme Court has ruled that the standard for approval of temporary rates “is ‘less stringent’ than the standard for permanent rates, in that temporary rates shall be determined expeditiously, without such investigation as might be deemed necessary to a determination of permanent rates.” *Appeal of the Office of the Consumer Advocate*, 134 N.H. 651, 660 (1991).

According to Northern, its earned return on rate base for the test year ended December 31, 2016, was lower than its authorized return on rate base of 7.89 percent (which Northern calculated using its last authorized return on equity of 9.5 percent from DG 13-086, Order No. 25,653 at 4 (April 21, 2014), as applied to its year-end 2016 actual capital structure). Northern proposed approximately a \$2.0 million temporary rate increase to bring itself up to the last allowed return. The Settlement Agreement calls for a lower increase, thus indicating that under the Settlement Agreement rates, Northern would not be expected to earn in excess of its last allowed return during the pendency of this proceeding.

We find that the temporary rate increase proposed in the Settlement Agreement is reasonable and consistent with RSA 378:27. Based on a preliminary review of the Company’s books and records, the agreed upon amount will allow the Company an opportunity to earn at or near its last authorized rate of return while a full evaluation is conducted. We also agree with the parties that it is appropriate to begin recovering the temporary revenue increase through rates effective on and after August 1, 2017. Consistent with RSA 378:29, the permanent rates


approved in this docket will be reconciled back to the date on which temporary rates become effective. We will decide how any over- or under- recovery will be recovered from or returned to Northern customers following a future determination of permanent rates. Therefore, we approve the Settlement Agreement in its entirety.

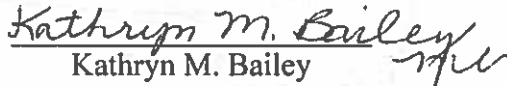
Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement is APPROVED, with temporary rates to be effective August 1, 2017, on a service rendered basis; and it is

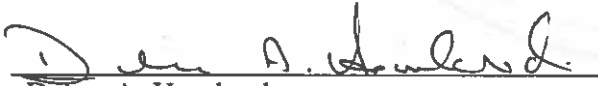
FURTHER ORDERED, that Northern shall file properly annotated tariff pages consistent with the Settlement Agreement within 10 days of the date of this order, as required by N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2017.


Martin P. Honigberg
Chairman


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
al-azad.iqbal@puc.nh.gov
alexander.speidel@puc.nh.gov
amanda.noonan@puc.nh.gov
bj@benjohnsonassociates.com
brian.buckley@oca.nh.gov
donald.kreis@oca.nh.gov
epler@unitil.com
james.brennan@oca.nh.gov
jrw@psu.edu
mark.naylor@puc.nh.gov
ocalitigation@oca.nh.gov
paul.dexter@puc.nh.gov
pradip.chattopadhyay@oca.nh.gov
steve.frink@puc.nh.gov

Docket #: 17-070-1 Printed: July 31, 2017

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.