

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 11-069

NORTHERN UTILITIES, INC.

Notice of Intent to File Rate Schedules

Order on Petition for Temporary Rates

ORDER NO. 25,252

July 22, 2011

APPEARANCES: Susan Geiger, Esq., of Orr & Reno, P.A., with Gary Epler, Esq., on behalf of Northern Utilities, Inc.; Meredith Hatfield, Esq., of the Office of Consumer Advocate, on behalf of residential ratepayers; and Alexander Speidel, Esq., for the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On May 4, 2011, Northern Utilities, Inc. (Northern or Company) made a delivery rate filing requesting permission to implement new permanent delivery rates for natural gas service and to implement temporary delivery rates, pursuant to RSA 378:27, effective with service rendered on or after August 1, 2011. In its permanent rate filing, Northern proposed new permanent rates, effective with service rendered on or after June 3, 2011, that are designed to produce an increase of \$3,744,523 in annual revenues. According to Northern's filing, based upon its proposal, a residential heating customer will experience an increase of approximately 8.0 percent in annual bills, while residential non-heating customers will see an increase of about 12.0 percent annually. Under the proposed permanent rate increase, commercial and industrial high use customers would experience an increase of 1.1 to 6.0 percent, while commercial and industrial low use customers would have increases of 0.8 to 7.0 percent.

On May 27, 2011, the Commission issued Order No. 25,225 suspending the Company's proposed tariff revisions and scheduling a pre-hearing conference for June 16, 2011, and a hearing on the Company's request for temporary rates for July 13, 2011. At the pre-hearing conference, the only pending petition to intervene, that of the United Steel Workers of America 12012-6, was granted. That grant of intervention was affirmed by a Secretarial Letter dated July 7, 2011.

On July 7, 2011, the Office of the Consumer Advocate (OCA), with the concurrence of Staff, filed a Settlement Agreement reached between Northern, OCA, and Staff with regard to temporary rates. The Settlement Agreement provided for an increase in the Company's annual revenue of \$1,711,246. To effectuate this increase, a uniform per-therm surcharge of \$0.0293 would be applied to all of Northern's current rate schedules, for service rendered on and after August 1, 2011. Attachment 1 to the Settlement Agreement indicates the revenue difference between the terms of the Company's temporary rate request and those of the Settlement Agreement, while Attachment 2 to the Settlement Agreement outlines the per-term surcharge of \$0.0293, as related to the Company's test year (ending December 31, 2010) sales in therms and the revised revenue requirement. As part of its Settlement Agreement filing, OCA also requested that the Commission waive N.H. Admin. Rules Puc 203.20(e), requiring that settlement agreements be filed five days prior to a hearing. The hearing on temporary rates was held on July 13, 2011, as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Northern

Northern's original petition for temporary rates sought an annualized revenue increase of \$1,756,248 (*see* Exhibit 2 of July 13, 2011 Hearing on Temporary Rates, Direct Testimony of David L. Chong, Bates Stamp Page 66). The requested amount of temporary rates was nearly one-half of that sought in the Company's request for permanent rates. The Company sought enhanced cash flow through the imposition of temporary rates, a need made more pressing by the passage of 10 years since the last permanent rate case filed by Northern. *See* Exhibit 2 of July 13, 2011 Hearing on Temporary Rates, Direct Testimony of George R. Gantz, at 14-15.

Northern accepted OCA's request (with Staff's concurrence) for a downward adjustment of \$45,002 to its temporary rate increase request (discussed below). At the hearing on temporary rates, Northern requested that the Settlement Agreement be approved as filed. Transcript of July 13, 2011 Hearing on Temporary Rates (Tr.) at 16. At the request of the Commission, Northern filed bill impact analyses summarizing the increases in costs to be borne by typical customers in various customer classes. *See* Exhibit 3 of July 13, 2011 Hearing on Temporary Rates. For example, Northern indicated that a typical residential heating customer, using 1,250 therms of gas per year, could expect to pay \$27.31 (or 1.86%) more in the winter heating season, and \$9.32 (or 2.36%) more in the summer heating season, under the temporary rate increase stipulated in the Settlement Agreement, for a total annual bill increase of \$36.63 (or 1.97%). For commercial and industrial customers, the impact of the temporary rate increases stipulated in the Settlement Agreement would be annual bill increases of 2.0% to 2.9%.

B. OCA

As set forth in the Settlement Agreement, the OCA identified a downward adjustment of \$45,002 to Northern's requested temporary rate revenues of \$1,756,248, for an adjusted temporary rate revenue requirement of \$1,711,246. *See* Exhibit 1 of July 13, 2011 Hearing on Temporary Rates, Attachment 1. OCA's requested adjustment was developed from application of N.H. Admin. Rule Puc 510.03(d), which stipulates that no more than 50% of costs arising from a utility's Integrated Resource Plan (IRP) shall be borne by ratepayers. Specifically, OCA found, through discovery on this docket, that the Company had booked all of its IRP costs in Docket No. DG 06-098, totaling \$90,003, for recovery from ratepayers. OCA asked that Northern adjust its temporary rate request in light of Puc 510.03(d). Exhibit 1 of July 13, 2011 Hearing on Temporary Rates, Attachment 3. Northern agreed to the resulting \$45,002 adjustment through the mechanism of the Settlement Agreement; on this basis, OCA expressed its approval for the Settlement Agreement as filed. Tr. at 15-16. OCA also requested a waiver of Puc 203.20(e), in that it viewed the Settlement Agreement to have been filed one day after the Puc 203.20(e) five-day deadline (the Settlement Agreement was filed after the close of Commission business on Thursday, July 7, 2011; therefore, the Settlement Agreement could be held to have been technically filed on Friday, July 8, 2011). Tr. at 15-16.

C. Staff

Staff, at the July 13, 2011 hearing on temporary rates, expressed its support for OCA's requested \$45,002 adjustment, OCA's Puc 203.20(e) waiver request, and for the Commission's approval of the Settlement Agreement as filed. Tr. at 16.

III. COMMISSION ANALYSIS

Because OCA, the Staff, and Northern have put forth a settlement on temporary rates for our consideration, we employ the standard used to evaluate settlement agreements. New Hampshire Code of Administrative Rules Puc 203.20(b) provides that the Commission shall approve the 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). Even where all parties enter into a settlement agreement, however, the Commission cannot approve it “without independently determining that the result comports with applicable standards.” *Unitil Energy Systems, Inc.*, Order No. 24,677 (October 6, 2006); *see also EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,104 (May 14, 2010). Based on the record in this case, we find the revenue increase as set forth in the Settlement Agreement to be appropriate and the resulting rates to be just and reasonable.

In its filing for permanent rates, the Company indicated that its financial performance in 2010 was poor, and, barring rate relief, Northern expects continued deterioration in its financial performance. *See* Exhibit 2 of July 13, 2011 Hearing on Temporary Rates, Direct Testimony of George R. Gantz (Gantz Testimony), at 14-15. (In its petition and supporting materials, Northern notes that for its 2010 test year, its approximate return on equity was 5.67%, well short of the Company’s authorized return on equity of 9.67%). The Company expects that the granting of a temporary rate increase would enhance its cash-flow position, which would reduce Northern’s need for outside financing through debt. Gantz Testimony at 14-15.

The test year selected by Northern for the rate case is the twelve-month period ended December 31, 2010. This means that the period of under-earning claimed by Northern includes a

period where the impact of new permanent rates may not be evident. The level of earning and other issues will be explored in depth during the examination of the Company's filing for permanent delivery rates. For purposes of temporary rates and the more limited investigation envisioned by RSA 378:27, we find that the records of the Company justify an increase in rates on a temporary basis. *See Appeal of the Office of Consumer Advocate*, 134 N.H. 651, 661 (1991).

As to the amount of the temporary rate increase, OCA, Staff, and Northern have agreed that \$1,711,246 represents a reasonable increase on a temporary basis. We concur that the amount of the increase is reasonable. Moreover, this increase may help to "bridge the gap" to new permanent rates and decrease any potential rate shock resulting from the institution of new permanent rates at the conclusion of the case. We also approve the OCA's request for a waiver pursuant to Puc 203.20(f), as this would promote the orderly and efficient conduct of this proceeding, and would not impair the rights of any party to this proceeding. Accordingly, we approve the Settlement Agreement on temporary rates as filed by OCA, Staff, and the Company, as well as the rate changes resulting from it.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement between OCA, Staff, and Northern is hereby APPROVED; and it is

FURTHER ORDERED, that commencing with service rendered on and after August 1, 2011, Northern may apply a uniform Temporary Rate Factor Charge of \$0.0293 per therm to all of Northern's rate schedules, for all customer classes, as shown in Attachment 2 to the Settlement Agreement; and it is

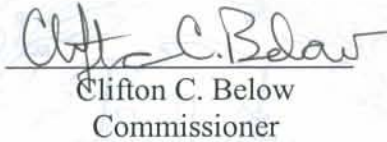
FURTHER ORDERED, that Northern shall file with the Commission properly annotated tariff pages consistent with the Settlement Agreement within 10 days of the date of this order, as required by N.H. Admin. Rules Puc 1603; and it is

FURTHER ORDERED, that the request for waiver of N.H. Admin. Rules Puc 203.20(e) with respect to the Settlement Agreement is GRANTED.

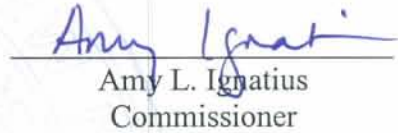
By order of the Public Utilities Commission of New Hampshire this twenty-second day of July, 2011.



Thomas B. Getz
Chairman

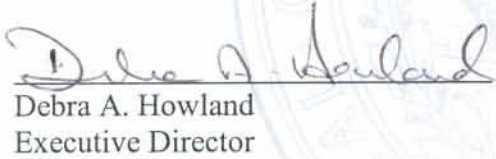


Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director

