

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 17-144

NORTHERN UTILITIES, INC.

2017-2018 Winter/Summer Cost of Gas Filing

Order Approving Cost of Gas Rates and Other Charges

ORDER NO. 26,068

October 31, 2017

APPEARANCES: Patrick H. Taylor, Esq., for Northern Utilities, Inc.; Brian D. Buckley, Esq., for the Office of the Consumer Advocate; and Alexander F. Speidel, Esq., for the Staff of the Public Utilities Commission.

In this order, the Commission approves Northern Utilities, Inc.'s, proposed 2017-2018 winter and 2018 summer cost of gas rates. The initial residential rate for the winter period (November 1, 2017 – April 30, 2018) will be \$0.7103 per therm with a local delivery adjustment charge of \$0.0560 per therm effective November 1, 2017. The rate for residential customers during the summer period (May 1, 2018 – October 31, 2018) will be \$0.3975 per therm. A typical residential heating customer will see an average monthly bill of \$159 per month in winter 2017-2018 and \$43 per month in summer 2018, which are approximately the same as last year.

PROCEDURAL HISTORY

Northern Utilities, Inc. (Northern or the Company), is a public utility distributing natural gas in the seacoast region of New Hampshire, serving approximately 31,000 customers in its New Hampshire Division. On September 18, 2017, Northern filed a proposed rate adjustment pursuant to its cost of gas (COG) clause and other rate adjustments, for the 2017-2018 winter and summer periods. Northern's filing included the pre-filed testimony of: Christopher A. Kahl, a Senior Regulatory Analyst for Unitil Service Corp., an affiliated service company; Francis X.

Wells, Manager of Energy Planning for Unitil Service Corp.; and Joseph F. Conneely, a Senior Regulatory Analyst for Unitil Service Corp., together with supporting schedules. Northern, the OCA, and Commission Staff conducted discovery and met in a technical session on October 10, 2017. A final hearing was held on October 18, 2017. There were no petitions for intervention filed in the docket and no person appeared at the hearing to provide public comment to the proposed COG rates. Northern's filing and subsequent docket entries, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-144.html>

I. COST OF GAS ADJUSTMENT MECHANISM

The cost of gas adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a way to pass on to consumers price increases and decreases in energy supply costs immediately, without having to go through extended proceedings to change delivery rates. The cost of gas adjustment mechanism is intended to provide consumers with costs that are reflective of changes to the market. Supply costs make up approximately half of a residential heating customer's annual bill and consist of commodity prices (the cost of gas), the cost to transport the gas over the pipelines, and storage costs. Northern has no control over the price of natural gas which is an unregulated commodity. Similarly, it has no price control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG mechanism allows the Company to pass along those costs to its customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods. The Company may adjust COG rates monthly to take

into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period.

Another rate the Commission sets within the context of COG proceedings is the local delivery adjustment charge (LDAC). The LDAC allows for recovery of expenses the Commission has approved in prior dockets through a per therm charge to be determined and implemented through the COG proceeding. Those expenses include costs associated with Northern's Residential Low Income Assistance and Regulatory Assessment Costs (RLIARA) rate, the energy efficiency charge (EEC) and the environmental response cost (ERC) rate. The RLIARA allows the Company to recover the revenue discounts associated with customers participating in the Residential Low Income Assistance Program as well as the costs associated with administering that program as approved by the Commission in Order No. 24,508 (September 1, 2005). The EEC is designed to recover projected expenses associated with the Company's energy efficiency programs. The ERC rate includes costs for environmental remediation related to manufactured gas plants. The LDAC also includes the non-distribution portion of the company's annual regulatory assessment. The Lost Revenue Rate (LRR), approved in Order No. 25,932 (August 2, 2016), is also included in the LDAC proposal.

II. POSITIONS OF THE PARTIES

A. Northern

Northern proposed per therm rates for winter 2017-2018 of \$0.7103, \$0.7236, and \$0.6224 for residential, commercial and industrial (C&I) high winter use, and C&I low winter use customer classes, respectively. The following table displays the expected bill impacts relative to last winter's average use of each customer class.

Winter 2017-2018 (Projected)

Customer Class	2017-2018	2016-2017	% Change
R-3 Residential Heating	\$954	\$960	-0.65%
G41 – C&I High Winter	\$15,864	\$16,496	-3.83%
G51 – C&I Low Winter	\$9,300	\$9,857	-5.65%

Summer 2018 (Projected)

Customer Class	2018	2017	% Change
R-3 Residential Heating	\$260	\$258	0.65%
G41 – C&I High Winter	\$3,194	\$3,225	-0.95%
G51 – C&I Low Winter	\$4,934	\$5,125	-3.71%

A typical residential heating customer will see an average monthly bill of \$159 per month in winter 2017-2018 compared to \$160 for winter 2016-2017 and an average monthly bill of \$43 in summer 2018, which is similar to the average bill in 2017.

Northern's filing proposed an LDAC of \$0.0560 per therm for the residential classes and \$0.0293 for C&I classes effective November 1, 2017.

B. Office of Consumer Advocate

At hearing the OCA stated it believed the proposed rates were just and reasonable and recommended the Commission approve them.

C. Staff

Staff expressed support for approval of the 2017-2018 COG and LDAC rates as filed, subject to reconciliation. Staff indicated that it had reviewed and supports Northern's proposed supply balancing charges, the Company's gas allowance factor percentage, and the capacity allocator percentages and recommended the Commission approve them.

III. COMMISSION ANALYSIS

The Commission has broad statutory authority to set rates in addition to “powers inherent within its broad grant” of express authority. *Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-65 (2005) (citations omitted). The Commission applies the “just and reasonable” ratemaking standard of RSA 374:2 and 378:7 when setting COG rates. *Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). Based on our review of the record in this docket, we approve the proposed 2017-2018 winter and summer COG rates as just and reasonable. We also approve Northern’s LDAC rate components. Since the COG rates and LDAC rate components are reconciled year over year, any adjustments needed as a result of further inquiry into these matters can be made in Northern’s next winter COG filing for 2018-2019.

Pursuant to *Northern Utilities, Inc.*, Order No. 24,961 (April 30, 2009), the approved rates may be adjusted downward so far as needed and upward by no more than 25 percent, without further Commission action.

Based upon the foregoing, it is hereby

ORDERED, that Northern’s 2017-2018 winter period COG per therm rates effective for service rendered on or after November 1, 2017, and rates for 2018 summer season effective on May 1, 2018, are approved as set forth in this Order, as follows:

Customer Class	2017-2018 Winter Cost of Gas	2017-2018 Winter Maximum COG	2018 Summer Cost of Gas	2018 Summer Maximum COG
Residential	\$0.7103	\$0.8879	\$0.3975	\$0.4969
C&I High Winter Use	\$0.7236	\$0.9045	\$0.4254	\$0.5318
C&I Low Winter Use	\$0.6224	\$0.7780	\$0.3543	\$0.4429

and it is

FURTHER ORDERED, that Northern may, without further Commission action, adjust the COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed, cumulatively, a maximum rate of 25 percent above the approved rate with no limitation on reductions to the COG rates; and it is

FURTHER ORDERED, that Northern shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five business days prior to the first day of the subsequent month. Northern shall include revised Calculation of the Firm Sales Cost of Gas Rate tariff pages, and revised rate schedules under separate cover letter if Northern elects to adjust COG rates, with revised tariff pages to be filed as required by N.H. Code Admin. Rules Puc 1603; and it is;

FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

FURTHER ORDERED, that Northern's proposed LDAC per therm rates effective for service rendered on or after November 1, 2017 are \$0.0560 and \$0.0293 for residential and C&I respectively; and it is

FURTHER ORDERED, that Northern's proposed supplier balancing charge of \$0.75 per MMBtu of daily imbalance volumes is approved; and it is

FURTHER ORDERED, that Northern's proposed transportation peaking service demand charge of \$35.51 per MMBtu of peak maximum daily quantity is approved; and it is

FURTHER ORDERED, that Northern's proposed gas allowance factor of 1.26 percent is approved; and it is

FURTHER ORDERED, that Northern's proposed transportation capacity allocators as filed, are approved; and it is

FURTHER ORDERED, that Northern's proposed Re-entry and Conversion Surcharges filed as Alternate Fourth Revised page 171 are approved; and it is

FURTHER ORDERED, that Northern's proposed short-term debt limits of \$18,310,000 for fuel financing and \$57,457,000 for non-fuel financing for the period November 1, 2017, through October 31, 2018, are approved; and it is

FURTHER ORDERED, that Northern shall promptly file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by N.H. Code Admin. Rules Puc 1603; and it is

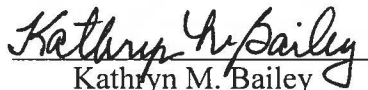
FURTHER ORDERED, that Northern shall file its proposed notice of rate change to customers with the Director of the Consumer Services and External Affairs Division; and it is

FURTHER ORDERED, that Northern is authorized pursuant to RSA 378:3 and 374:2 to modify its COG Adjustment Clause and tariff as outlined in its revised tariff pages.

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



Martin P. Honigberg
Chairman




Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director