

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 23-086

NORTHERN UTILITIES, INC.

Petition for Approval of Revenue Decoupling Adjustment Factor

Order Approving Northern's RDAF Rates

O R D E R N O. 26,993

April 12, 2024

On September 15, 2023, Northern Utilities, Inc. (Northern) filed its petition for approval of its Revenue Decoupling Adjustment Factor (RDAF) for two recovery periods, the Peak Period running from November 1, 2023 through April 30, 2024 and the Off-Peak Period running from May 1, 2024 through October 30, 2024. The Commission has previously approved Northern's RDAF for the Peak Period on an interim basis pending further review and hearing. *See* Order No. 26,896 (October 31, 2023). The New Hampshire Department of Energy (DOE) supports Northern's proposed RDAF rates, but, as explained more fully below, it requests that the Commission forego concluding that Northern is entitled to recover the full carry-forward amount on the revenue decoupling balance in this order. After reviewing the parties' filings and testimony, the Commission approves Northern's RDAF rates for both the Peak and Off-Peak Periods. Further, as it is unnecessary to resolve Northern's petition, the Commission will not address the DOE's argument regarding the decoupling carry-forward balance. All docket filings, other than those subject to confidential treatment, are available on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-086.html>.

I. BACKGROUND

In Order No. 26,650 (July 20, 2022) in Docket No. DG 21-104, the Commission approved a settlement agreement (Settlement Agreement) permitting Northern to implement revenue decoupling. Northern's decoupling mechanism uses a "Revenue Per Customer" model that reconciles actual and authorized revenue per customer by four rate classes, including residential heat and general service, and implements the Revenue Decoupling Adjustment Factor—or RDAF rate—to either recover or refund the difference. *See* Order No. 26,650 at 5; *see also* Northern Gas Tariff No. 12, First Revised Pages 163–167 (explaining how Northern's RDAF rate is calculated).

Under this model, Northern records monthly revenue variances (MRVs) between the actual and authorized revenue per customer for each rate class. Order No. 26,650 at 5. Northern then submits an annual filing to reconcile the difference between its actual and authorized revenues over the following year. *Id.* Notably, rather than record and reconcile the variances for the entire year together, the variances are recorded and reconciled separately for the Peak Period, which runs from November 1 through April 30, and the Off-Peak Period, which runs from May 1 through October 30. *Id.* at 5–6. For example, in this filing, Northern is seeking to reconcile the difference between actual and authorized revenue per customer for the period between November 1, 2022 and April 30, 2023 through RDAF rates effective between November 1, 2023 and April 30, 2024.

To calculate the amount Northern is due to recover for each six-month period, Northern first totals the MRVs for that period by class. *Id.* at 6. The total MRVs for each class are then added to any deferred amounts from a prior period and any associated carrying costs to derive the Revenue Decoupling Adjustment (RDA) that Northern recovers, in the event of under-collection, or refunds, in the event of an over-

collection. *Id.* Significantly, the recoverable portion of the RDA for each period and customer group is capped at 4.25 percent of Northern’s approved base distribution revenue requirement. *Id.* Any excess amounts above or below the RDA cap are deferred or carried-forward to the next period at a carrying cost accrued monthly. *Id.* at 6.

Northern then adjusts the RDAF rates for each recovery period to either recover or refund the recoverable portion of the RDA from the corresponding prior period. *Id.* To calculate the RDAF for each customer class, Northern divides the recoverable portion of the RDA by the estimated sales of natural gas over the relevant recovery period. *Id.*

As is relevant to the parties’ dispute in this docket, the Settlement Agreement contained the following language regarding the carry-forward amount: “In the Company’s next distribution rate case, parties to that proceeding may propose specific treatment of any carried balances remaining at that time.” Settlement Agreement on Permanent Rates (May 26, 2022) in Docket No. DG 21-104 (Settlement Agreement).

In this docket, Northern is seeking approval of RDAF rates for both: (1) the Peak Period, with rates effective November 1, 2023 and April 30, 2024, to reconcile the difference between its actual and authorized revenues per customer for the period between November 1, 2022 and April 30, 2023; and (2) the Off-Peak Period, with rates effective between May 1, 2024 and October 30, 2024, to reconcile the difference between its actual and authorized revenues per customer for the periods between August 1, 2022 and October 30, 2022 and May 1, 2023 and October 30, 2023.¹ The

¹ Ordinarily, each decoupling year is a twelve-month period beginning November 1. Order No. 26,650 at 4–5. However, because the Commission authorized Northern to implement its decoupling mechanism on August 1, 2022, *id.* at 4, Northern’s Off-Peak Period RDAF rates in this filing include recovery for the monthly revenue variances between August 1, 2022 and October 30, 2022.

following tables summarize Northern's calculation of its RDAF rates for both the Peak and Off-Peak recovery periods.

Peak Period (with RDAF rates effective November 1, 2023 to April 30, 2024)
(numbers in parentheses indicate a negative balance or rate credit)

Class	MRVs	Carrying Costs	RDA	RDA Cap	RDA Deferral	Recoverable Portion of RDA	Estimated Sales (in therms)	RDAF Rates (\$/ therm)
Residential Heat	(\$3,246,301)	(\$57,123)	(\$3,303,425)	\$696,310	(\$2,607,114)	(\$696,310)	16,052,326	\$0.0434
Residential Non-Heat	(\$8,549)	(\$164)	(\$8,713)	\$15,664	\$0	(\$8,713)	148,279	\$0.0588
General Service (High Load Factor)	\$150,580	\$2,697	\$153,277	\$150,931	\$2,345	\$150,931	13,530,217	(\$0.0112)
General Service (Low Load Factor)	(\$687,996)	(\$7,198)	(\$695,193)	\$411,389	(\$283,804)	(\$411,389)	24,340,176	\$0.0169
Total	(\$3,792,266)	(\$61,788)	(\$3,854,054)	\$1,274,294	(\$2,888,574)	(\$965,480)	54,070,999	

Off-Peak Period (with RDAF rates effective May 1, 2024 to October 30, 2024)
(numbers in parentheses indicate a negative balance or rate credit)

Class	MRVs	Carrying Costs	RDA	RDA Cap	RDA Deferral	Recoverable Portion of RDA	Estimated Sales (in therms)	RDAF Rates (\$/ therm)
Residential Heat	(\$548,296)	(\$33,889)	(\$582,184)	\$281,733	(\$300,451)	(\$281,733)	2,631,203	\$0.1071
Residential Non-Heat	(\$6,681)	(\$386)	(\$7,067)	\$11,771	\$0	(\$7,067)	75,754	\$0.0933
General Service (High Load Factor)	\$37,589	\$2,341	\$39,931	\$106,975	\$0	\$39,931	11,462,614	(\$0.0035)
General Service (Low Load Factor)	(\$3,606)	(\$297)	(\$3,903)	\$216,745	\$0	(\$3,903)	5,173,303	\$0.0008
Total	(\$520,993)	(\$32,230)	(\$553,223)	\$617,224	(\$300,451)	(\$252,772)	19,342,875	

See Attachment SED-1.

Upon the recommendation of the parties, the Commission deferred final review and approval of Northern's requested RDAF rates for both the Peak and Off-Peak Periods to allow the DOE more time to review the filing and make a recommendation.

See Order No. 26,896 at 2. The Commission approved the Peak Period RDAF rates on an interim basis. *Id.* The Commission has already received Northern’s compliance tariffs for the Peak Period RDAF rates effective November 1, 2023. The Commission held a hearing on Northern’s petition on February 29, 2024. In addition to Northern and the DOE, the Office of the Consumer Advocate (OCA) is also a party to this docket and attended the February 29 hearing.

II. POSITIONS OF THE PARTIES

A. DOE

As an initial matter, the DOE represents that Northern’s calculations of the MRVs and RDA caps are accurate and consistent with the Settlement Agreement in Docket No. DG 21-104. Likewise, the DOE does not dispute that Northern correctly calculated the carry-forward amount for each rate class and period. The DOE further recommends that the Commission find that both the resulting Peak and Off-Peak Period RDAF rates proposed by Northern are just and reasonable and allow them to go into effect.

However, the DOE asks that, in approving these rates, the Commission not sanction Northern’s ability to fully collect the carry-forward balances in future proceedings on the grounds that under the Settlement Agreement, the parties agreed that any carry-forward remaining at the time of the next rate case could be either reduced or eliminated. Specifically, the DOE cites the Settlement Agreement’s language that, during Northern’s next rate case, “parties to that proceeding may propose specific treatment of any carried balances remaining at that time.” See Settlement Agreement at 5. The DOE argues that this provision of the Settlement Agreement means that Northern is not guaranteed to recover the full deferral balance because the “specific treatment” referred to in the Settlement Agreement could include

the elimination or reduction of any amounts remaining at the time of the next rate case.

Significantly, the DOE does not ask that the Commission make any conclusions as to whether any reductions to the carry-forward balance will ultimately be appropriate in this docket. On the other hand, the DOE represents that it anticipates arguing at the next rate case that at least some portion of the carry-forward balance should be reduced or eliminated.

B. NORTHERN

Unsurprisingly, Northern agrees with the DOE that the proposed RDAF rates are just and reasonable and should be allowed to go into effect.

However, with respect to the carry-forward balance, Northern disagrees with the DOE's interpretation of the Settlement Agreement. According to Northern, it is fully entitled to recover whatever carry-forward balance exists at the time of the next rate case. Northern argues that the "specific treatment" language in the Settlement Agreement refers to how Northern will be able to recover any balance, not whether Northern will be able to recover that amount.

C. OCA

At the hearing, the OCA indicated that it supported the DOE's position.

III. COMMISSION ANALYSIS

The Commission is authorized to fix rates after a hearing, upon determining that rates, fares, and charges are just and reasonable. RSA 378:7. In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable

return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). In this way, the Commission serves as arbiter between the interests of customers and those of regulated utilities. See RSA 363:17-a; see also *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 at 17 (March 10, 2011).

The Commission has reviewed Northern's filing, the DOE's technical statements, and the testimony at the February 29 hearing. The Commission finds that, for both the Peak and Off-Peak Periods, Northern calculated the MRVs, the RDA, and the carry-forward balance for each rate class in accordance with Order No. 26,650 and Northern's RDAF tariff. See Northern Gas Tariff No. 12, First Revised Pages 163–167. In addition, the Commission determines that Northern correctly calculated the resulting RDAF rates and that they are just and reasonable. Accordingly, Northern may implement these rates.

With respect to the parties' dispute over the carry-forward balance, the Commission will not address that issue in this order. In its petition, Northern requested that the Commission "[f]ind that [Northern's] proposed RDAF is just and reasonable" and "[a]pprove the proposed rates for the peak and off-pea[k] period" Petition at 2. No party disputes that Northern calculated the MRVs, the RDA, the carry-forward balance, or the resulting RDAF rates in accordance with Order No. 26,650 and Northern's RDAF tariff. The Commission has likewise found that Northern correctly calculated these amounts and that the proposed RDAF rates are just and reasonable. The sole dispute is whether the DOE may argue at a future rate proceeding that the carry-forward balance both can and should be reduced based on its interpretation of the Settlement Agreement. The Commission does not need to answer that question to resolve Northern's petition and therefore declines to do so in this order.

Based upon the foregoing, it is hereby

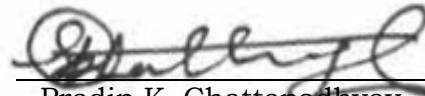
ORDERED, that Northern's proposed RDAF rates are **APPROVED** as described in this order; and it is

FURTHER ORDERED, that Northern shall file conforming tariffs for the Off-Peak Period RDAF rates within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this twelfth day of April, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket#: 23-086

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