

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 11-290

NORTHERN UTILITIES, INC.

2011-2016 Long-Range Integrated Resource Plan

Order *Nisi* Approving Stipulation and Settlement Agreement

ORDER NO. 25,641

March 26, 2014

I. PROCEDURAL HISTORY

On December 30, 2011, Northern Utilities, Inc. (Northern), a public utility providing natural gas service to approximately 29,000 customers in the seacoast region of southeastern New Hampshire, filed an Integrated Resource Plan (IRP) with the New Hampshire Public Utilities Commission (Commission) for its Maine and New Hampshire divisions.¹ The IRP covers the period November 1, 2011, through October 31, 2016, and provides details of Northern's resource planning process based on demand forecasts and current market conditions. Northern maintains a single gas supply portfolio for its Maine and New Hampshire operations, making its IRP process subject to the jurisdiction of both the Maine Public Utilities Commission (Maine PUC) and the Commission. Northern simultaneously filed an identical version of the IRP with the Maine PUC for its evaluation.

The IRP and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, is posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-290.html>.

¹ Northern's service territory also extends into Maine where it provides natural gas service to approximately 26,500 customers.

Because of common issues in the two states, Staff, Northern, and parties to the Maine proceeding met in a joint technical session. These discussions resulted in Northern and Staff (the Settling Parties) filing a stipulation and settlement agreement (Settlement) on December 24, 2013. Northern filed a similar settlement with the Maine PUC. The Maine PUC approved the settlement on February 3, 2014, in Docket No. 2011-00526.

II. SUMMARY OF SETTLEMENT

The Settling Parties state the Settlement resolves issues relating to this docket and any filing requirements relating to Northern's next IRP. As stated in the order of notice, those issues included: the adequacy of Northern's planning process, including demand forecasts, gas supply and demand resource assessments; the integration of supply and demand resources; and Northern's evaluation of integrated least-cost resource plans and the potential environmental, economic, and health-related impacts of proposed options.

The Settling Parties agree that Northern's 2011-2016 IRP satisfies the filing and content requirements established by the Commission in *Northern Utilities, Inc.*, Order No. 25,089 (April 5, 2010). Northern agrees to file its next IRP no later than December 31, 2014, with a five-year planning period. In instances where the term of a resource option exceeds the five-year planning period, Northern will provide an economic evaluation of that resource option for the full term of the resource.

The content requirements of the next IRP, as detailed in Attachments A and B of the Settlement, are similar to the requirements of past IRPs and are as follows:

- A. Demand Forecasts – Shall consist of separate base-case design-day demand and annual demand forecasts. In both instances, these demand forecasts shall be for firm-sales service and transportation-only customers, and shall be developed using both normal- and design-weather conditions. The demand forecasts will include Northern's projected growth and will discuss the predictive ability of the forecast models.

B. Demand Forecast Methodology – Shall consist of: 1) separate demand forecasts for the Maine and New Hampshire Divisions and 2) a total Northern demand forecast (sum of the Maine and New Hampshire forecasts). Each shall be distinguished by customer segments and segregate unbundled transportation customer volumes from bundled sales service volumes. The unbundled transportation data is to be segregated into capacity-assigned and capacity-exempt categories for each division. The demand forecast will be reduced by the amount of incremental energy savings from approved DSM programs.

C. Planning Standards – Shall consist of design-day and design-year planning standards based on statistical analyses of updated weather data. Planning standards shall include an evaluation of how the resource portfolio meets demand during a protracted period of very cold weather.

D. Current Portfolio – Shall describe the existing resource portfolio and be organized by resource path. The portfolio shall identify each pipeline segment in each path, from the supply source to supply destination, as applicable. The resource path narratives will: 1) describe current strategy, including information on supply source (market region, liquid or illiquid price point, etc.), 2) state whether the resource is primarily used as base load supply for daily balancing or as peaking supply, and 3) explain Northern's method of assigning the resource to delivery service customers subject to capacity assignment as a company-managed resource or as a capacity release.

E. Resource Balance – Shall explain and quantify the difference between projected design-day demand and peak-day resource capacity.

F. Incremental Supply Resources – Shall identify: 1) reasonably available supply resource options capable of meeting portfolio shortfalls, 2) expectations on supply sources (market region, liquid or illiquid price point, etc.), 3) whether the resource would primarily be used as base load or peaking supply, and 4) method of assigning the resource to delivery service customers subject to capacity assignment as a company managed resource or as a capacity release.

G. Preferred Portfolio – Shall combine existing and incremental resources to meet forecasted loads over the planning period at the lowest reasonable cost. Northern will provide a description of resource flexibility to respond to changes in short- and long-term demand, and detail the methods used to evaluate available resource options.

III. COMMISSION ANALYSIS

Pursuant to RSA 374:3, the Commission exercises general supervisory authority over public utilities and has a duty to keep informed concerning the utilities' operations and their

provision of safe and adequate service. *See also*, RSA 374:4 and RSA 374:1. Our review of the Settlement concerning Northern's 2011 IRP is also governed by N.H. Code Admin. Rules Puc 203.20(b) which states 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). In general, the Commission encourages parties to attempt to reach a settlement of issues through negotiation and compromise "as it is an opportunity for creative problem-solving, allows the parties to reach a result more in line with their expectations, and is often a more expedient alternative to litigation." *Unitil Energy Systems, Inc.*, Order No. 24,677 (October 6, 2006) at 17 (quotation omitted).

The Commission established specific IRP and filing requirements in 2010 for Northern's next IRP filing, including demand forecasts, demand forecast methodology, resource balance, planning standards, supply-side resource assessment, demand-side resource assessment, integration of demand-side and supply-side resources, and identification of its preferred portfolio and hedging strategy. *Northern Utilities, Inc.*, Order No. 25,089 (April 5, 2010). Based on our review of the IRP and Settlement, we find that the Settlement is just and reasonable and that it serves the public interest in accordance with Puc 203.20(b). Further, we accept the 2011-2016 IRP in that it satisfies the requirements established in Order No. 25,089. Our acceptance of Northern's 2011-2016 IRP does not constitute approval of specific resource options selected by Northern. We will review the prudence of particular resource decisions in the context of a rate case, or any similar proceeding in which Northern seeks recovery of costs in rates.

We have reviewed the planning and reporting requirements in the Settlement and find them to be reasonable and consistent with past IRP requirements. It is imperative that IRPs contain sufficient data and that the data be presented in a clear and concise manner to enable the

Commission to evaluate how well a utility is meeting its customers' short- and long-term needs. Based on the filing requirements we approve today, we anticipate that Northern's next IRP will assist the Commission in understanding how Northern conducts its resource planning, including what scenarios it has considered, how it plans to meet its customers' long-term service needs, and whether those plans will meet those needs at the lowest reasonable cost. Accordingly, we find the reporting requirements for Northern's 2014 IRP to be reasonable.

The Settlement requires Northern to file its next IRP no later than December 31, 2014. The Settling Parties agree that the purpose of Northern's next IRP is two-fold: 1) for Northern to describe and explain the resource planning it will have used to develop an adequate, reliable, and economic portfolio of resources to serve firm customer demand, and 2) to allow the Commission to evaluate the reasonableness of those planning processes and procedures. The Settlement establishes specific planning and reporting requirements to accomplish those purposes.

We approve the Settlement and incorporate its terms and conditions into this Order on a *nisi* basis in order to ensure that all interested parties receive notice of our determination and have the opportunity to request a hearing.

To facilitate the efficient administration of the Settlement, we authorize the signatories to modify the Settlement so long as any modification is mutually agreed upon and non-substantive, such as a clerical or ministerial amendment that involves timing or scheduling. The signatories shall file any such modification with the Commission and provide a copy to all parties on the service list. The Commission will approve such requests, if appropriate, via secretarial letter without the need for notice or hearing.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that the Stipulation and Settlement Agreement entered into between Staff and Northern, is hereby adopted and approved; and it is

FURTHER ORDERED, that Northern Utilities, Inc. shall file its 2014 IRP no later than December 31, 2014; and it is

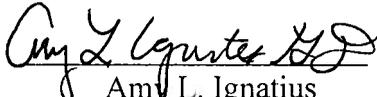
FURTHER ORDERED, that Northern shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than April 7, 2014, 2014, and to be documented by affidavit filed with this office on or before April 25, 2014; and it is

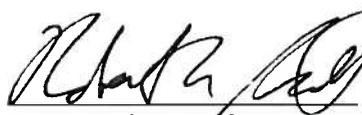
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than April 14, 2014, for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than April 21, 2014; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective April 25, 2014, unless Northern fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

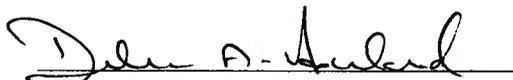
By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of
March, 2014.


Amy L. Ignatius
Chairman


Robert R. Scott
Commissioner


Martin P. Honigberg
Commissioner

Attested by:


Debra A. Howland
Executive Director