

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DG 21-104

NORTHERN UTILITIES, INC.

PETITION OF NORTHERN UTILITIES, INC.

NOW COMES Northern Utilities, Inc. (“Northern” or “the Company”) and, pursuant to NH RSAs 378:7, 378:27, 378:28 and 378:29, respectfully petitions the New Hampshire Public Utilities Commission (“the Commission”) for authority to: (1) implement new permanent rates beginning September 1, 2021, for gas service at the levels set forth in its proposed revised tariff filed with this Petition; (2) replace certain pages of the Company’s current tariff, NHPUC No. 12, with proposed revised tariff pages; (3) implement a multi-year Rate Plan with three annual step adjustments for certain non-growth capital additions; (4) implement a revenue decoupling mechanism, which the Company has proposed in compliance with Commission Order No. 25,932; (5) implement an Arrearage Management Program; and (6) if the Commission suspends the effective date of the Company’s permanent rates, implement temporary rates beginning October 1, 2021 for gas service at rate levels set forth in Supplement No. 1 to NHPUC No. 12. In support of this Petition, the Company states as follows:

A. RATE INCREASE AND REVISED TARIFF

1. On June 30, 2021, pursuant to NH RSA 378:3 and New Hampshire Code of Administrative Rules, Puc 1604.05, the Company filed a Notice of Intent to File Rate Schedules with the Commission.

2. The Company is filing with this Petition revisions to its Tariff NHPUC No. 12 (“the Permanent Rates Tariff”). The revised tariff pages have a proposed effective date of September 1, 2021 and are intended to produce a permanent increase in annual revenues of \$7,782,950, which represents an increase of approximately 8.1 percent in total revenues above present rates after accounting for changes to other reconciling mechanisms. This permanent rate increase results in an overall rate of return of 7.75 percent. The overall rate of return of 7.75 percent includes a requested Return on Equity of 10.30 percent, and a proposed capital structure consisting of 52.47% common equity and 47.53% long-term debt.

3. Pursuant to NH RSA 378:8 and N.H. Admin. Rule Puc 1600 *et seq.*, the Company has filed direct testimony and exhibits in support of the Permanent Rates Tariff and such supplementary information required by the Commission, all of which is incorporated herein by reference.

B. RATE PLAN WITH STEP ADJUSTMENTS

4. The Company requests permission to implement a multi-year Rate Plan with three annual step adjustments to recover the revenue requirement associated with certain non-growth capital additions to rate base. These projects are necessary in order to maintain the Company’s ability to provide safe and reliable gas service to its customers. Under the proposed Rate Plan, it is anticipated that an initial step adjustment will be implemented on the effective date of permanent rates. Thereafter, a second capital

project step adjustment will be implemented on August 1, 2023, and a third capital project step adjustment will be implemented on August 1, 2024.

5. The Commission has previously authorized the Company to implement a similar series of step adjustments. *See Northern Utilities, Inc.*, DG 17-070, Order No. 26,129 at 14-15, 16 (May 2, 2018); *Northern Utilities, Inc.*, DG 13-086, Order No. 25,653 at 9-11 (April 21, 2014). In support of its request for a long-term Rate Plan, the Company has filed the direct testimony of Robert Hevert and the joint direct testimony of Christopher Goulding and Daniel Nawazelski.

C. REVENUE DECOUPLING

6. In DE 15-137, the Energy Efficiency Resource Standard (“EERS”) docket, the Commission directed the Company and other New Hampshire utilities to “seek approval of a decoupling or other lost-revenue recovery mechanism as an alternate to the [Lost Revenue Adjustment Mechanism] in their first distribution rate cases after the first EERS triennium, if not before.” *Energy Efficiency Resource Standard*, DE 15-137, Order No. 25,932 at 60 (August 2, 2016). The Company filed its last rate case prior to the end of the first EERS triennium, and thus this is the first time that the Company is proposing a decoupling mechanism.

7. In compliance with the Commission’s directive, the Company proposes a full Revenue Decoupling Mechanism (“RDM”) that reconciles monthly actual and authorized revenues per customer by rate class. The Company proposes that the authorized revenues per customer be adjusted annually to reflect the three step increases on August 1, 2022, August 1, 2023, and August 1, 2024. The proposed RDM will be applicable to the Company’s Residential Heating and Non-Heating Service (Schedules R-

5 and R-10 combined, and R-6) and Commercial and Industrial Service (Schedules G-40, G-50, G-41, G-42, G-51, and G-52) customer classes. The RDM will comprise a two-step process: first, the Company will record monthly variances between actual and authorized revenues per customer for each rate class, then aggregate the monthly variances over the twelve-month period August through July; second, the Company will file the applicable RDM adjustment factor on 45 days before the proposed effective date of November 1. The proposed RDM is described at length and supported by the direct testimony of Timothy Lyons of ScottMadden, Inc.

D. ARREARAGE MANAGEMENT PROGRAM

8. The Company is also proposing an Arrearage Management Program (“AMP”) for residential financial hardship customers who are struggling to pay their natural gas bills. The AMP will offer qualifying residential customers of the Company immediate relief to reduce their current and future energy burdens through a flexible payment arrangement and arrears forgiveness program. The Company’s AMP offering will also provide assistance to improve the customer’s ability to better manage their payments more effectively. The direct testimony of Carole Beaulieu supports the Company’s proposed AMP.

E. TEMPORARY RATES

9. Pursuant to NH RSA 378:6, the Commission may suspend the effective date of Northern’s permanent rates Tariff pending an investigation by the Commission under NH RSA 378:5 into the reasonableness of the Permanent Rates Tariff. If the Commission suspends the Company’s permanent rates Tariff, the Company requests that temporary rates be established in accordance with NH RSA 378:27, which provides that

the Commission may, after reasonable notice and hearing, if the public interest so requires, prescribe reasonable temporary rates for the duration of a rate proceeding, sufficient to yield not less than a reasonable return on the cost of the utility's property used and useful in service to the public, less accrued depreciation.

10. The Company requests that if such temporary rates are set, they be established at the levels set forth in Supplement No. 1 to NHPUC No. 12, commencing with service rendered on October 1, 2021 and until the date a final, non-appealable order establishing permanent rates is issued. The requested temporary rates represent an increase of \$3,220,742 in annual revenues, or 3.6 percent above present revenues. The Company proposes to recover this increase on a uniform per therm basis from all rate classes. In support of this request, the Company notes that since the second calendar quarter of 2019 (when the last step adjustment approved under DG 17-070 became effective), the Company's earned Return on Equity has remained well below the 9.50 percent return authorized in that case. In fact, by the fourth quarter of 2020, Northern under-earned its authorized return on equity by approximately 170 basis points. Absent rate relief, the Company's earnings will continue to erode.

11. The Company is seeking a temporary rate increase in lieu of establishing temporary rates at current levels in order to expeditiously address the above-described earnings attrition. In addition, because the Company's under-earning situation is expected to be exacerbated by increased expenditures over the next several months, the Company is in immediate need of the level of temporary rate relief indicated above. Furthermore, granting a temporary rate increase will provide for a smoother transition from current to permanent rates and will lessen the size of the difference between

temporary and permanent rates to be collected from customers at the conclusion of the permanent rate case.

WHEREFORE, the Company respectfully requests that the Commission:

A. Issue an order of notice which schedules a hearing upon the within Petition;

B. Following an investigation pursuant to RSA 378:5 of the reasonableness of the proposed rates and revised tariffs filed with this Petition, enter an order authorizing Northern Utilities, Inc. to implement such proposed rates and tariffs as permanent effective for service rendered on and after September 1, 2021;

C. If the Commission suspends the Company's permanent rates Tariff, establish temporary rates in accordance with NH RSA 378:27, and, following a hearing, enter an order authorizing temporary rates at the levels set forth in Supplement No. 1 to NHPUC No. 12 for service rendered on and after October 1, 2021, until the date a final, non-appealable order establishing permanent rates is issued;

D. Pursuant to RSA 378:29, in the event that permanent rates, once determined by the Commission, exceed temporary rates, enter an order authorizing the Company to collect the difference from customers;

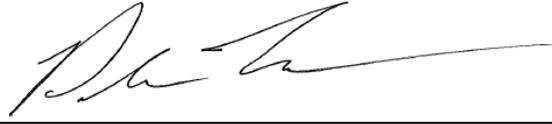
E. Enter an order authorizing the Company to implement the Step Adjustments as proposed herein; and

F. Grant such further relief as may be just and appropriate.

Respectfully submitted,

NORTHERN UTILITIES, INC.

By its Attorneys:



Patrick H. Taylor
Senior Counsel
Unitil Service Corp.
6 Liberty Lane West
Hampton, NH 03842-1720

Dated: August 2, 2021

Certificate of Service

I hereby certify that on this 2nd day of August, 2021, a copy of the foregoing Petition was electronically delivered to the Office of Consumer Advocate.



Patrick H. Taylor

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