

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 21-123

NORTHERN UTILITIES

Petition for Rate Recovery Mechanism for Property Tax

Approval of Recovery Mechanism and Rates

O R D E R N O. 26,581

February 15, 2022

In this order the Commission approves a mechanism for recovering property tax increases as an element of the local distribution adjustment charge (LDAC) and approves rates for the Property Tax Adjustment Mechanism (PTAM) of \$521,315, or \$0.0135 per therm, effective March 1, 2022.

I. PROCEDURAL HISTORY

On June 21, 2021, Northern Utilities, Inc. (Northern) filed a petition seeking approval of an annual adjustment to the LDAC to recover increased local property taxes. On August 20, 2021, the Commission issued an order of notice scheduling a prehearing conference in the matter on September 23, 2021. On October 1, 2021, Northern filed revised testimony. On October 22, 2021, the Commission issued an order scheduling the hearing for February 2, 2022. The hearing was held as scheduled and the department of energy (Energy) was the only intervenor. Prior to hearing on January 31, 2022, Northern submitted further revised testimony included in exhibits for hearing. At hearing the Commission issued record requests to which Northern responded on February 9, 2022.

II. BACKGROUND

On June 21, 2019, the Governor signed HB 700, which established a methodology for valuing utility distribution assets for property tax purposes, codified as RSA 72:8-d and 72:8-e. The law established a five-year phase-in period to fully transition to that new methodology. The first property tax year of the phase-in period is the tax year beginning April 1, 2020. The law also requires the Commission to establish by order a rate recovery mechanism for the property taxes paid by a public utility as a result of the changed assessment methodology.

III. POSITIONS OF THE PARTIES

A. Northern

Northern is proposing to recover the increase in local property taxes associated with RSA 72:8 in a new rate component included in the Company's LDAC. The new rate component, the Regulatory Cost Adjustment Mechanism (RCAM) will also include recovery of the portion of the regulatory assessment not recovered in base rates, which is currently recovered as part of the gas assistance program and regulatory assessment (GAPRA).

Northern proposes to calculate the portion of the local property taxes to be recovered through the RCAM by subtracting the local property expense approved as part of the revenue requirement in Northern's last rate case (plus amounts added by approved step increases) from the amount of actual local property tax bills paid by Northern in the calendar year. The resulting difference will be recovered over the course of the next year through the RCAM portion of the LDAC. In the first year, due to the timing of this docket, Northern requests a recovery period from May 1, 2022, through October 31, 2022, or six months. Northern states that the total 2020 local

property tax expense for 2020 was \$521,315 higher than the amount it currently recovers in rates.

Northern also asks for approval to move the recovery of the portion of the regulatory assessment costs currently included in the GAPRA to the RCAM and for approval of the proposed modifications to the LDAC to allow for the ongoing recovery of the reconciliation of local property taxes and regulatory assessment changes. The portion of the assessment proposed to be recovered as a component of the RCAM is the difference between the assessed amount billed and the assessment amount included in Northern's base distribution rates.

Using Northern's current sales forecast for the summer period, May 1 through October 31, 2022, the recovery of property tax expense results in an increase of \$0.0246 per therm to the LDAC. The recovery of the regulatory assessment over the same period results in a shift of \$0.0027 per therm from the GAPRA to the RCAM. Northern estimates that an average residential customer using 133 therms during the summer off-peak period would see an increase in their summer bill of \$3.35. The earlier estimated per therm rate when the expense was to be recovered over a 12-month period was \$0.0069 per therm.

B. Energy

Energy supported Northern's request to recover \$521,315 for 2020 property taxes pursuant to RSA 72:8. Energy also supported the suggestion that the recovery begin on March 1, 2022.

IV. 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).

In this case we first consider whether the rate adjustment mechanism proposed by Northern is consistent with the requirements of HB 700, codified as RSA 72:8-d and 72:8-e. The law established a new methodology for assessing utility property, and a five-year phase-in period beginning in tax year 2020 (April 1, 2020 to March 31, 2021). The law requires the Commission to establish a rate recovery mechanism for the excess property taxes paid by a public utility.

We find that Northern's proposed method of comparing actual property tax bills paid in a calendar year, to the approved level of property tax expense included in Northern's revenue requirement from its most recent rate case, is a reasonable basis for calculating the amount to be recovered. Based upon the Department of Energy Audit, which confirmed that Northern paid \$521,315 in 2020 property tax bills in excess of the property tax expense amount in Northern's current approved revenue requirement, we approve the amount of \$521,315 for recovery for calendar year 2020 pursuant to RSA 72:8.

We have considered Northern's proposal to begin recovery on May 1, 2022, and we find that by moving the effective date to March 1, 2022, the property tax expense will be recovered over a larger volume of therms (accommodating not just summer months but also two winter months) and the resulting rates will be lower on a per

month basis for Northern's ratepayers. We therefore approve recovery of \$521,315 on a uniform per therm basis for all Northern customers beginning on March 1, 2022. According to Northern, recovering \$521,315 beginning on March 1, 2022, and ending on October 31, 2022, results in a rate of \$0.0135 per therm. We find the rate of \$0.0135 per therm just and reasonable and we approve it effective March 1, 2022.

For clarity, we require that Northern name the rate adjustment mechanism for property taxes the Property Tax Adjustment Mechanism (PTAM). For greater transparency, we also require that Northern recover the regulatory assessment adjustment as a separate element of the LDAC and refer to it as the regulatory assessment adjustment mechanism (RAAM). We agree that it does not belong in the GAPRA, now renamed Gas Assistance Program Rate (GAP), but we ask that it be shown as a separate charge in the LDAC at the rate already approved of \$0.0027 per therm.

Finally, for consistency among the electric and natural gas utilities, we support Northern's proposal to refer to its recovery of lost base revenues as "LR" rather than "LBR" in both gas and electric dockets.

Based upon the foregoing, it is hereby

ORDERED, that Northern's PTAM rate shall be \$0.0135 per therm beginning March 1, 2022; and it is

FURTHER ORDERED, that Northern shall move the RAAM from the GAPRA, now known as GAP, and show it as a separate element in its LDAC filings; and it is

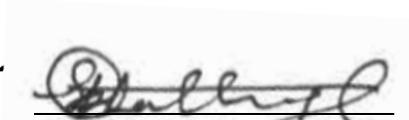
FURTHER ORDERED, that Northern shall recover its regulatory assessment adjustment as a separate element of the LDAC designated as the RAAM; and it is

FURTHER ORDERED, that Northern shall file conforming tariffs within 15 days of this order.

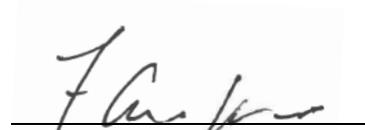
By order of the Public Utilities Commission of New Hampshire this fifteenth day
of February, 2022.



Daniel C. Goldner
Chairman



Pradip Chattopadhyay
Commissioner



F. Anne Ross
Special Commissioner

Service List - Docket Related

Docket# : 21-123

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