

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 22-020

NORTHERN UTILITIES, INC.

Petition for Approval of Step Adjustment

Order Approving Petition

O R D E R N O. 26,675

August 31, 2022

In this order, the Commission approves a step increase in Northern's distribution rates effective September 1, 2022, associated with its investments placed in service in 2021. This step increase incorporates revisions to Northern's original proposal made during this proceeding and amounts to \$1,554,966 in revenues. Northern's residential customers, using an average of 749 therms of gas per year, will experience a bill increase of approximately 1.9 percent (or \$32.00).

I. PROCEDURAL HISTORY

On May 27, 2022, Northern Utilities, Inc. (Northern or the Company) filed a settlement agreement in Docket No. DG 21-104 (Settlement Agreement), the Company's most recent full distribution rate case, which contained a provision for a single step adjustment for capital investments made in calendar year 2021. The Settlement Agreement was approved by the Commission on July 20, 2022, in Order No. 26,650. *See also* Hearing Exhibit 3.

Northern filed its current step adjustment petition relating to its 2021 calendar year investments on April 1, 2022. The Company presented the written testimony of: Christopher Goulding, Director of Rates and Revenue Requirements; Kevin Sprague, Vice President of Engineering; and Christopher LeBlanc, Vice President of Engineering, all of whom are personnel employed with Northern's service company affiliate, Unitil

Service Corp., in support of its petition, together with supporting accounting schedules. *See* Hearing Exhibit 1.

On June 8, 2022, Northern filed revisions to its step adjustment proposal, together with additional testimony and supporting schedules presented by Messrs. Goulding, Sprague, and LeBlanc. *See* Hearing Exhibit 2.

On July 28, 2022, following the issuance of Order No. 26,650, an adjudicative proceeding was commenced by a procedural order, scheduling a hearing on the Company's petition for August 25, 2022.

A hearing on the merits of the Company's filing was held as scheduled on August 25, 2022. No petitions to intervene were filed; the Office of the Consumer Advocate did not file a letter of participation. Representatives of the New Hampshire Department of Energy (DOE) appeared at the August 25 hearing and provided oral argument. The Company's witnesses Goulding, Sprague, and LeBlanc, together with Mr. Daniel Nawazelski, Manager, Revenue Requirements, at Unitil Service Corp., also appeared and provided testimony at the hearing.

At the request of the Commission, the DOE filed a Commission Record Request response providing the DOE Audit Division's report (Audit Report) regarding the Company's step increase proposal on August 26, 2022. *See* Hearing Exhibit 4.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-020.html>

II. POSITIONS

A. Northern

In its revised attachments filed on June 8, 2022, Northern presented a revised revenue requirement figure for its step adjustment proposal based on its 2021 investments of \$1,554,966. *See* Hearing Exhibit 2, at Bates Page 20.

The Company based its revenue requirement figure on a list of Non-Growth capital additions placed in service in 2021 amounting to \$16,597,063. *See* Hearing Exhibit 2 at Bates Pages 11 and 18-20. The Company estimated that its step increase proposal, as revised, would increase residential heating customers' bills (for average usage levels of 749 therms of gas per year) by \$32.00, or 1.9 percent, per year. *See* Hearing Exhibit 2 at Bates Page 56.

B. DOE

The DOE indicated at hearing that it supported approval of the Company's step increase proposal. The DOE Audit Division, in its August 1, 2022, Audit Report, also stated that it did not recommend any changes to Northern's proposed step increase revenue requirement of \$1,554,966. *See* Hearing Exhibit 4 at Bates Page 29.

III. COMMISSION ANALYSIS

Step adjustments are a mechanism the Commission has approved for limited use between rate cases to allow a utility to collect additional revenue on investments that are generally non-revenue producing and are made to improve safe and reliable service. Step adjustments are generally limited in scope and allow recovery for investments similar to those that have been reviewed in the underlying rate case that established the step adjustment provision. Utilities have the burden of showing that capital investments included in step adjustment are prudent, in service, and used and useful. *See Public Service Company of New Hampshire d/b/a Eversource Energy*, Order

No. 26,504 at 5 (July 30, 2021). In order to approve this step adjustment, the Commission must determine whether the investments included in the calculation of the step adjustment are prudent, used, and useful under RSA 378:28. *Id.*

Northern, therefore, has the burden to show that the requested step adjustment includes only investments that were placed in service, and were used and useful, in 2021, and that the rates proposed to collect the revenue requirement associated with these investments are calculated accurately. *See Northern Utilities, Inc.*, Order No. 25,779 (April 15, 2015), at 3.

In this instance, the Commission accepts the Company's proposed investments made in calendar year 2021 presented as part of this step increase proposal as being used, useful, and resulting in just and reasonable rates, and in conformity with the Settlement Agreement approved by Order No. 26,650. We therefore approve the revised revenue requirement for Northern's step increase of \$1,554,966. We approve this amount for distribution rate recovery by Northern for an initial eleven (11)-month recovery period, for service rendered from September 1, 2022, through July 31, 2023, as specified by Order No. 26,650 in Docket No. DG 21-104. Subsequently, step increase revenues will be recovered on an August 1 through July 31 annual basis, and adjusted accordingly. *See* Order No. 26,650 at 6.


Based upon the foregoing, it is hereby

ORDERED, that Northern is authorized to recover a step adjustment for its 2021 qualifying investments in the amount of \$1,554,966 in revenues; and it is

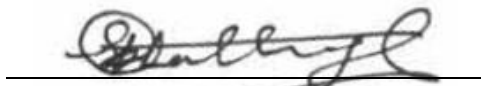
FURTHER ORDERED, that Northern is authorized to implement the rates approved herein on a service-rendered basis, effective September 1, 2022, with an eleven (11)-month rate initial recovery period through July 31, 2023; and it is

FURTHER ORDERED, that Northern shall file tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within fifteen (15) days of the date of this order, or September 15, 2022.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of August, 2022.



Daniel C. Goldner
Commissioner



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket# : 22-020

Printed: 8/31/2022

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