

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 24-102

NORTHERN UTILITIES, INC.

2024-2025 Winter and 2025 Summer Cost of Gas

Order Establishing Cost of Gas Rates

ORDER NO. 27,071

October 31, 2024

In this order, the Commission approves Cost of Gas (COG) rates for the 2024-2025 winter period (with rates effective November 1, 2024 through April 30, 2025) and for the 2025 summer period (with rates effective May 1, 2025 through October 31, 2025). The COG mechanism allows Northern to recover the costs it incurs purchasing natural gas for its customers, which includes, among other items, the actual cost of the commodity and related storage and transportation expenses. Pursuant to the rate mechanism, the Commission sets a base winter rate and a base summer rate and Northern adjusts its rates on a monthly basis to account for changes in the actual cost of gas, with the caveat that rates cannot increase more than twenty-five percent above the base rates without Commission review and approval. The costs for the winter and summer periods are reflective of the competitively bid commodity prices, hedging, and the Northern pipeline, storage, and peaking strategy. The table below breaks down the changes in the various rate components of the Company for its residential heating customers as compared with the prior, 2023-2024 COG rate year.

Residential Rates (Ref. Hearing Exhibit 6, Tariff 33rd Rev. Page 86; Hearing Exhibit 5; Bates Pages 101 and 110) (per therm)

Winter Rates				Summer Rates		
	<u>Proposed Rates</u>	<u>Prior Year Rates</u>	Change	<u>Proposed Rates</u>	<u>Prior Year Rates</u>	Change
Cost of Gas	\$0.6883	\$0.6900	(-0.2%)	\$0.4166	\$0.3185	30.8%
LDAC	\$0.0649	\$0.0900	(-27.9%)	\$0.0649	\$0.0908	(-28.5%)
<u>Distribution</u>	<u>\$1.1366</u>	<u>\$1.0330</u>	10.0%	<u>\$1.2883</u>	<u>\$1.1366</u>	<u>13.3%</u>
Total	\$1.8898	\$1.8130	4.2%	\$1.7098	\$1.5459	10.6%

As can be seen in the Bill Impact table on pages 5 and 6 of this Order, this winter, Northern’s residential heating customers (based on a typical usage profile) can expect to pay 6.9 percent more than last winter, and 9.9 percent more this upcoming summer as compared to last summer for COG, based on weighted-average rates in the prior year periods. See Hearing Exhibit 5, Bates Pages 100 and 109.

Gas commodity costs incurred by Northern in making purchases to serve its customers are passed through without a markup in the COG tariff rates. The Commission does not administratively set the prices offered by wholesale gas suppliers or ancillary service providers to serve Northern’s customer load. These prices are set by the suppliers and service providers themselves, informed by prevailing market conditions, where Northern endeavors to procure a reliable gas supply at the lowest cost. The Commission does oversee this procurement process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. BACKGROUND AND OVERVIEW OF NORTHERN’S COG PETITION

On September 17, 2024, Northern Utilities, Inc. (Northern or the Company) filed a winter 2024/2025 and summer 2025 cost of gas (COG) filing outlining its proposed COG for the winter period (November 1, 2024, through April 30, 2025) and the summer period (May 1, 2025, through October 31, 2025), including proposed Local

Delivery Adjustment Clause (LDAC) charges for the period of November 1, 2024, through October 31, 2025. See Hearing Exhibit 2. Northern also submitted its Environmental Cost Report filing on September 17, 2024. See Hearing Exhibit 3. The Office of the Consumer Advocate (OCA) filed its letter of participation on September 26, 2024. The Commission issued a Commencement of Adjudicative Proceeding and Notice of Hearing order on September 24, 2024, scheduling a hearing on this matter for October 24, 2024. There were no intervenors. The hearing was held on October 24, 2024, as scheduled, where representatives of the Company, the New Hampshire Department of Energy (DOE), and the OCA appeared. (A representative of Northern, Ms. S. Elena Demeris, appeared remotely at the October 24 hearing, pursuant to a motion made by Northern and a Commission procedural order approving this motion issued on October 18, 2024).

On October 11, 2024, Northern made a Revised COG Tariff Filing, styled as a "Supplemental 2024-2025 Annual Cost of Gas Adjustment Filing," see Hearing Exhibit 5. The Company's revised filing incorporated an expected increase in pipeline capacity rates on Granite State Gas Transmission, which serves Northern's system in eastern New Hampshire, updated NYMEX futures prices to reflect upcoming commodity cost conditions, and adjusted the prime rate to reflect the recent change in it. Northern also updated its proposed COG Tariff pages as part of this October 11 filing. See Hearing Exhibit 6. Northern's COG filings included the proposed tariff pages, schedules, and pre-filed testimony and related attachments from Christopher A. Kahl, Francis X. Wells, S. Elena Demeris, and Daniel T. Nawazelski. 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/2024/24-102.html>

The COG adjustment mechanism was implemented in 1974 during a time of rapidly changing prices to reflect increases and decreases in energy supply costs in customer rates without having to go through extended proceedings to change fuel delivery rates. Northern has limited control, if any, over the market price of natural gas, which is an unregulated commodity. Similarly, it has limited control over items such as fuel transportation and storage costs. The COG adjustment mechanism allows the Company to pass those costs onto customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter period, which runs from November 1 through April 30 and the summer period, which runs from May 1 through October 31. Through the COG adjustment mechanism, the Company may adjust COG rates monthly to incorporate changes in the natural gas markets based on actual costs to date and projected costs for the remaining period. While there is no limitation on reductions to COG rates, rates may be adjusted upward without Commission action up to a cumulative maximum of 25 percent above the approved rate. To the extent that adjustments are based on projected costs, they are subject to periodic reconciliation, after all actual costs are known and reported. As a result, the COG rate fluctuates with market prices and is subject to monthly increases or decreases.

The Commission also has set the LDAC for Northern within the context of COG proceedings. The LDAC allows for recovery of expenses the Commission has approved in prior dockets through a per therm charge to be determined and implemented through annual COG proceedings. LDAC expenses include costs associated with Northern's Gas Assistance Program (GAP) and Regulatory Assessment Adjustment Mechanism (RAAM) rates – formerly known as the combined Residential Low Income Assistance Regulatory Assessment (RLIARA) rate. LDAC expenses also include the

Energy Efficiency Charge (EEC), the Environmental Response Cost (ERC) rate, rate case expenses, the recoupment of the difference between temporary and permanent rates, referred to as the Reconciliation of Permanent Charges (RPC) rate, the Property Tax Adjustment Mechanism (PTAM) rate, the Lost Revenue Rate (LRR), and the Interruptible Transportation Margin Charge (ITMC) rate. The impacts of the Company's proposals on the winter and summer bills of a typical residential heating customer are summarized in the tables below (Ref. Hearing Exhibit 5, Bates Pages 100 and 109).¹

Bill Impact

Winter

	Proposed 2024-25	2023-24	Difference	Change %
Base Rate ²	\$694.86	\$612.19	\$82.67	13.50%
COG	\$340.12	\$340.99	(\$0.87)	-0.26%
LDAC	\$32.07	\$44.56	(\$12.49)	-28.03%
Total	\$1,067.05	\$997.74	\$69.31	6.94%

Summer

	Proposed 2025	2024	Difference	Change %
Base Rate ³	\$262.30	\$241.78	\$20.52	8.49%
COG	\$43.79	\$33.49	\$10.30	30.76%
LDAC	\$6.82	\$9.54	(\$2.72)	-28.51%
Total	\$312.91	\$284.81	\$28.10	9.87%

¹ As will be further discussed in this Order below, the DOE, with the support of the OCA, requested that the Commission "rely" on bill impact calculations that apply the DOE's favored calculation of the Revenue Decoupling Adjustment Factor (RDAF) rates for the Company for the coming RDAF rate year, currently under consideration by the Commission in Docket No. DG 24-103. The Commission has approved, on a provisional basis, the RDAF rates for the upcoming peak (winter) period pursuant to Order No. 27,068 (October 28, 2024), issued on a *nisu* basis, and has deferred ruling on the Company's proposed non-peak (summer) RDAF proposed rates, pending further investigation and proceedings by the Commission. In an abundance of caution, the Commission references, without any prejudice to the litigation of the RDAF issues in the DG 24-103 proceeding, the Company's rate-impact calculations provided in Hearing Exhibit 5 in this proceeding, with the proviso that if Northern's RDAF rates were to be adjusted based on rulings in the DG 24-103 RDAF proceeding, the expected bill impacts on customers would be somewhat lower.

² This "Base Rate" item also incorporates the Company's fixed Customer Charge and RDAF rates.

³ This "Base Rate" item also incorporates the Company's fixed Customer Charge and RDAF rates.

Several surcharges are included in the proposed LDAC of \$0.0649 per therm for residential customers and \$0.0374 per therm for C&I customers, compared to the \$0.908 per therm and \$0.0375 per therm rates, respectively, that are currently in effect. See Hearing Exhibit 6, Proposed Tariff Thirteenth Revised Page 62. The proposed ERC is \$0.0014 per therm, a reduction from the \$0.0023 per therm ERC rate currently in effect. The proposed EEC was proposed by the Company to remain unchanged at \$0.0545 per therm for residential customers, and \$0.0270 per therm for C&I customers. The proposed GAP charge to recover expenses related to the Gas Assistance Program is \$0.0059 per therm, a decrease from the \$0.0061 per therm rate currently in effect. The LRR is proposed to remain unchanged at \$0.0000 (zero) per therm for both residential and C&I customers, due to the advent of the RDAF decoupling rate.⁴ The Company proposes a PTAM of \$0.0017 per therm for both residential and C&I customers, an increase from the zero PTAM rate currently in effect. Northern proposes a RAAM of \$0.0014 per therm for both residential and C&I customers, compared to the RAAM rate of \$0.0010 per therm currently in effect. The proposed ITMC rate is unchanged at \$0.0000 (zero) per therm from the ITMC rate currently in effect. Northern also proposes a Rate Case Expenses (RCE) LDAC charge of \$0.0000 (zero) per therm for both residential and C&I customers, which is unchanged from the current RCE rate of zero. The Company proposes an RPC component of the LDAC rate of \$0.0000 (zero) per therm for residential and C&I customers, compared to the \$0.0269 per therm (residential) and \$0.0011 per therm (C&I) RPC rates currently in effect. *Id.*

⁴ Northern has transitioned to decoupling as of August 1, 2022, pursuant to the terms of Order No. 26,650 (July 20, 2022), in Docket No. DG 21-104; see Order No. 26,650 at 13-14, and 21.

LDAC

	Residential			C&I		
	Current	Proposed	Difference	Current	Proposed	Difference
GAP	\$0.0061	\$0.0059	-\$0.0002	\$0.0061	\$0.0059	-\$0.0002
EEC	\$0.0545	\$0.0545	\$0.0000	\$0.0270	\$0.0270	\$0.0000
LRR	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
ERC	\$0.0023	\$0.0014	-\$0.0009	\$0.0023	\$0.0014	-\$0.0009
ITMC	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
RCE	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
RPC	\$0.0269	\$0.0000	-\$0.0269	\$0.0011	\$0.0000	-\$0.0011
PTAM	\$0.0000	\$0.0017	\$0.0017	\$0.0000	\$0.0017	\$0.0017
RAAM	\$0.0010	\$0.0014	\$0.0004	\$0.0010	\$0.0014	\$0.0004
Total	\$0.0908	\$0.0649	-\$0.0259	\$0.0375	\$0.0374	-\$0.0001

Northern proposes to reduce its Company Allowance Calculation (for lost and unaccounted for gas and Company use of gas) for the period of November 2024 through October 2025 from 0.72 percent to 0.26 percent. See Hearing Exhibit 6, Proposed Tariff Eighth Revised Page 141. It also proposes changes to its supplier balancing charge, peaking service demand charge, re-entry surcharge, conversion surcharge, and capacity allocator percentages. See Hearing Exhibit 6, Proposed Tariff Eighth Revised Page 141; Proposed Tariff Seventh Revised Pages 156 and 158.

II. POSITIONS OF THE PARTIES

The Company, at the October 24, 2024 hearing in this matter, offered the oral testimony of its personnel Demeris, Kahl, Nawazelski, and Wells in support of Northern's filing, and to provide additional perspective regarding developments pertaining to COG issues. Mr. Wells, in particular, informed the Commission that the recent modifications made by the project developer for the Empress Capacity Agreements recently entered into by the Company, as approved by the Commission in Order No. 26,939 (January 26, 2024) in Docket No. DG 23-087, TransCanada

Pipelines Limited, were expected to have a "neutral impact" on demand costs, and a "positive [lower-cost] impact" on commodity costs, for the Company during the upcoming COG rate year.

The DOE filed, on October 22, 2024, a Technical Statement by Mr. Ashraful Alam and Mr. Bruce Blair, Utility Analysts in the DOE's Division of Regulatory Support, outlining the DOE's positions regarding the Company's COG filing. See Hearing Exhibit 11. The DOE recommended that the Commission approve Northern's COG proposals, for both the winter and summer periods. The DOE further recommended that "...when approving these rates for effect November 1, 2024, the Commission rely on bill impact calculations that include RDAF rates consistent with the approved settlement agreement from DG 21-104," in a reference to the RDAF matters at issue in Docket No. DG 24-103, and referenced in this Order in Footnote 1, above. The DOE also filed, Hearing Exhibit 13, revised bill-impact calculations applying the DOE's preferred methodology. (These revised calculations, applying a lower RDAF figure, gave an indication of a slight decrease in resulting residential heating customer bills for the coming winter COG period). Hearing Exhibit 13 is available here: <https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-102/TRANSCRIPTS-OFFICIAL%20EXHIBITS-CLERKS%20REPORT/24-102-2024-10-24-EXH-13.PDF>

The DOE Technical Statement also provided a comprehensive review of the expected impacts of the Empress Agreement developments on the forthcoming COG rate year. *Ref.* Confidential Hearing Exhibit 12; Hearing Exhibit 11, *passim*.

In a statement made at hearing, the DOE re-stated its support for Commission approval of the Northern COG rate proposals, with the proviso that the Commission use the bill-impact calculations provided for in Hearing Exhibit 13.

The OCA, in its statement made at hearing, stated that it was "generally supportive" of the Company's filing; the OCA lent its support to the DOE proposal regarding the bill-impact calculations.

In its final statement made at hearing, the Company stated that it requested Commission approval of its COG rate proposals as just and reasonable. The Company, in a letter filed by counsel into this instant docket on October 24, 2024, stated that it "found no issues" with the information presented in the alternative bill-impacts calculation presented in Hearing Exhibit 13.

III. COMMISSION ANALYSIS

As a threshold matter, the Commission does not administratively fix the market prices for gas commodities or ancillary services for Northern or any other gas utility in our State; the offering prices of the wholesale gas, transportation, and storage suppliers participating in the North American⁵ gas market, responding to prevailing market conditions, drive this outcome. The Commission does, however, oversee the process used by Northern for its gas portfolio development, and its calculation of the resultant COG rates, for compliance with industry standards, Commission statutes, rules, and orders, and accuracy, to ensure just and reasonable rates within this market-driven framework. Likewise, the Commission oversees the Company's calculation of the LDAC components, and the accuracy thereof, to ensure just and reasonable rates.

The Commission has broad statutory authority to set rates in addition to "powers inherent within its broad grant" of express authority. *See Appeal of Verizon New England, Inc.*, 153 N.H. 50, 64-66 (2005) (citations omitted). The Commission

⁵ The United States and Canadian gas supply and transportation system is fully integrated. Northern secures gas supply, storage, and transportation from U.S. and Canadian market participants to serve its customers' load.

applies the “just and reasonable” ratemaking standard of RSA 374:2 and RSA 378:7 when setting COG rates. See *Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). 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.

Based on our review of the record in this docket, we find the proposed 2024-2025 winter and 2025 summer COG rates just and reasonable and therefore approve them. We also approve Northern’s LDAC rate components. Because the COG rate components are reconciled each year, any adjustments needed to reconcile actual costs and revenues will be made in Northern’s next winter COG filing for 2025-2026. In addition, with regard to Northern’s LDAC rates, we note that if rate elements are adjusted by Commission decisions in other dockets during the course of the LDAC rate period, November 1, 2024, to October 31, 2025, further proceedings for an interim rate adjustment during the LDAC period will be held as appropriate. Regarding the alternative bill-impact calculations presented by the DOE in Hearing Exhibit 13, in an abundance of caution, as referenced in Footnote 1 above, we reference the Company's bill-impact calculations in Hearing Exhibit 5, as the RDAF matters in Docket No. DG 24-103 are yet to be conclusively settled, and there is no identifiable impact on the COG rates themselves.

Pursuant to *Northern Utilities, Inc.*, Order No 24,961 (April 30, 2009), Northern may, without further Commission action, adjust its approved COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed 25 percent above the approved rate.

Based upon the foregoing, it is hereby

ORDERED, that Northern Utilities, Inc.’s 2024-2025 winter period COG per term rates effective for service rendered on or after November 1, 2024, and its 2025

summer period per therm rates effective on and after May 1, 2025, are APPROVED as indicated in the table that follows; and it is

Rates in \$/therm	Winter 2024-25	Winter Maximum Rates	LDAC
Residential	\$0.6883	\$0.8604	\$0.0649
C& I - LLF (High winter use)	\$0.6974	\$0.8718	\$0.0374
C& I - HLF (Low winter use)	\$0.6426	\$0.8033	\$0.0374

Rates in \$/therm	Summer 2025	Summer Maximum Rates	LDAC
Residential	\$0.4166	\$0.5208	\$0.0649
C& I - LLF (High winter use)	\$0.4942	\$0.6178	\$0.0374
C& I - HLF (Low winter use)	\$0.3449	\$0.4311	\$0.0374

FURTHER ORDERED, that Northern may, without further Commission action, adjust its approved COG rates based on the projected over- or under-collection for the period, the adjusted rate to be effective the first day of the month and not to exceed a maximum rate of 25 percent above the approved rate (said maximum rates identified in the table above), with no limitations on reductions to the COG rates; and it is

FURTHER ORDERED, that Northern shall provide the Commission with its monthly calculation of the projected over- or under-collection, along with the resulting revised COG rates for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. Northern shall also include revised Calculation of the Firm Sales COG Rate Tariff pages, and revised rate schedules under separate cover letter if Northern elects to adjust COG rates, with revised Tariff pages to be filed as required by New Hampshire Code of Administrative Rules Part Puc 1603; and it is


FURTHER ORDERED, that the over- or under-collection shall accrue interest at the prime interest rate as reported by the Wall Street Journal on the first date of the month preceding the first month of the quarter, with the interest rate to be adjusted quarterly; and it is

FURTHER ORDERED, that Northern's LDAC per term rates effective for service rendered on or after November 1, 2024, through October 31, 2025, are \$0.0649 and \$0.0374 for residential and C&I customers respectively, subject to interim adjustment of the LDAC as set forth herein above; and it is

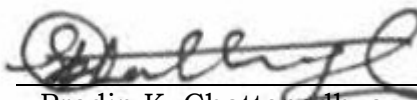
FURTHER ORDERED, that Northern's proposed gas allowance factor of 0.26 percent is approved, as are the other changes contained in the COG filing; and it is

FURTHER ORDERED, that Northern shall file annotated 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 November 15, 2024.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket#: 24-102

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