

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DG 20-154**

**NORTHERN UTILITIES, INC.**

**2020-2021 Cost of Gas**

**Order Approving Cost of Gas Rates and Other Charges**

**ORDER NO. 26,420**

**October 30, 2020**

**APPEARANCES:** Patrick H. Taylor, Esq., for Northern Utilities, Inc.; the Office of the Consumer Advocate, by Christa Shute, Esq., on behalf of residential ratepayers; and Mary E. Schwarzer, Esq., for the Staff of the Public Utilities Commission.

This order approves a proposal by Northern Utilities, Inc. for 2020-2021 winter and 2021 summer cost of gas rates. The initial residential cost of gas (COG) rate for the winter period (November 1, 2020 - April 30, 2021) will be \$0.7315 per therm with a local delivery adjustment charge of \$0.1099 per therm. A typical residential heating customer will pay approximately \$1,053 for the 2020-2021 winter season compared to \$929 for last winter.

The initial residential COG rate for the 2021 summer period (May 1, 2021 - October 31, 2021) will be \$0.4412 per therm. A typical residential customer will pay approximately \$287 for the 2021 summer season compared to \$254 last summer.

**I. PROCEDURAL HISTORY**

Northern Utilities, Inc. (Northern or the Company) is a public utility that provides natural gas service to approximately 31,000 customers in the seacoast region of New Hampshire. On September 18, 2020, Northern filed a proposed 2020-2021 annual cost of gas (COG) rate adjustment with certain other proposed rate adjustments for the 2020-2021 winter and 2021 summer periods. The Company's filing included the pre-filed testimony of Christopher A. Kahl,

a Senior Regulatory Analyst for Unitil Service Corp. (Unitil Service), a subsidiary of Unitil Corporation (“Unitil”); Francis X. Wells, Manager of Energy Planning for Unitil Service; and S. Elena Demeris, a Senior Regulatory Analyst for Unitil Service.

Northern, the Office of the Consumer Advocate (OCA), and Commission Staff (Staff) conducted discovery and met in a technical session on October 8, 2020. The Commission held a hearing on the merits on October 21, 2020. There were no petitions for intervention filed in the docket and no person appeared at the hearing to provide public comment on the proposed COG rates. At the hearing, Northern’s oral motion for waiver of late filing of the affidavit of publication was granted without objection.

Northern’s filing and subsequent docket entries, other than any information for which confidential treatment is requested or granted by the Commission, are posted on the Commission’s website at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-154.html>.

## **II. COST OF GAS ADJUSTMENT MECHANISM**

The COG adjustment mechanism was implemented in 1974 during a time of rapidly changing prices as a means to reflect increases and decreases in energy supply costs in customer rates without requiring extended proceedings to change applicable fuel delivery rates. Supply costs comprise approximately half of a residential heating customer’s annual bill and include commodity prices (the COG), gas transportation costs, and gas storage costs. Northern has little control over the price of natural gas, which is an unregulated commodity. Similarly, it has little control over pipeline transportation rates, which are set by the Federal Energy Regulatory Commission. The COG adjustment mechanism allows the Company to pass such costs on to its customers directly and efficiently without mark-up or profit. COG rates are initially set using projected costs and sales for the upcoming winter and summer periods. Through the COG

adjustment mechanism, the Company may adjust COG rates monthly to take into account changes in the natural gas market based on actual costs to date and projected costs for the remainder of the period. To the extent that adjustments are based on projected costs, they are subject to periodic reconciliation, after all actual costs are known and reported.

The Commission also sets the local delivery adjustment charge (LDAC) 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 and Regulatory Assessment (GAPRA) rate<sup>1</sup> --formerly known as the Residential Low Income Assistance Regulatory Assessment (RLIARA) rate. LDAC expenses also include the non-distribution portion of the Company's annual regulatory assessment, the Energy Efficiency Charge (EEC), the Environmental Response Cost (ERC) rate, rate case expenses (RCE), and the recoupment of the difference between temporary and permanent rates, referred to as the Reconciliation of Permanent Changes (RPC) rate.

The GAPRA rate allows the Company to recover the revenue discounts associated with customers participating in the Gas Assistance Program (formerly the Residential Low Income Assistance Program) as well as the costs associated with administering that program as approved by the Commission in *Residential Low Income Assistance Program for Natural Gas Customers*, Order No. 26,397 (August 27, 2020).

The EEC charge is designed to recover projected expenses associated with the Company's energy efficiency programs.

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<sup>1</sup> See Order No. 26,397 (August 27, 2020, Docket No. DG 20-013) (modifying the Residential Low Income Customer Assistance Program for natural gas, and renaming it the "Gas Assistance Program").

The ERC charge recovers costs for environmental remediation related to manufactured gas plants.

**III. POSITIONS OF THE PARTIES AND STAFF**

**A. Northern**

Northern proposed an initial residential rate (COG and LDAC rates) for the winter period (November 1, 2020 - April 30, 2021) of \$0.7315 per therm and an LDAC rate of \$0.1099 per therm effective November 1, 2020. Northern also proposed an initial rate of \$0.4412 per therm for residential customers during the summer period (May 1, 2021 - October 31, 2021). As a result, a typical residential heating customer would pay approximately \$1,053 for the winter of 2020-2021 and \$287 for the summer of 2021. That, compared to \$929 for last winter and \$254 for last summer, would result in increases of approximately \$124 (13 percent) and \$32 (13 percent), respectively.

The following tables display the expected total seasonal bill impacts relative to the average seasonal use for each customer class in last year’s winter and summer periods.

**2020-2021 Projected Winter Bill Impacts<sup>2</sup>**

| <b>Customer Class</b>               | <b>2019-2020<br/>(Actual)</b> | <b>2020-2021<br/>(Projected)</b> | <b>Percent Change<br/>from Winter<br/>Period 2019-2020</b> |
|-------------------------------------|-------------------------------|----------------------------------|--|
| <b>R-5 Residential Heating</b>      | \$929                         | \$1,053                          | 13%  |
| <b>G-40 C&amp;I High Winter Use</b> | \$1,832                       | \$2,120                          | 16%  |
| <b>G-51 C&amp;I Low Winter Use</b>  | \$8,538                       | \$10,496                         | 23%  |

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<sup>2</sup> Winter period bill comparisons: Bates pages 114 thru 118.

**2021 Projected Summer Bill Impacts**

| <b>Customer Class</b>               | <b>2020<br/>(Actual)</b> | <b>2021<br/>(Projected)</b> | <b>Percent Change<br/>from Summer<br/>Period 2020</b> |
|-------------------------------------|--------------------------|-----------------------------|---|
| <b>R-5 Residential Heating</b>      | \$254                    | \$287                       | 13%   |
| <b>G-40 C&amp;I High Winter Use</b> | \$614                    | \$685                       | 11%   |
| <b>G-51 Low Winter Use</b>          | \$4,165                  | \$5,809                     | 39%   |

Northern's filing proposed an LDAC of \$0.1099 per therm for the residential classes and \$0.0472 for C&I classes, effective November 1, 2020, through October 31, 2021.

Northern also proposed: (1) a supplier balancing charge of \$0.71 per MMBtu of daily imbalance volumes; (2) a gas allowance factor of 1.30 percent; (3) transportation capacity allocators; (4) a firm sales service re-entry and conversion surcharge schedule; (5) short-term debt limits of \$18,157,000 for fuel financing and \$97,625,000 for non-fuel financing for the period November 1, 2020, through October 31, 2021; and (6) a transportation peaking service demand charge of \$64.53 per MMBtu of peak maximum daily quantity per month, effective November 1, 2020, through April 30, 2021. The annual sales forecast for 2020-2021 is 6.5 percent less than 2018-2019 sales and 1.0 percent greater than 2019-2020 sales.<sup>3</sup> The reduction from 2018-2019 sales reflects the impacts of the COVID-19 pandemic on the economy.

**B. Staff**

At the October 21, 2020, hearing, Staff recommended approval of the COG rates and tariff changes proposed by the Company in its September 18, filing.

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<sup>3</sup> Weather normalized sales (actual sales adjusted to account for hotter and colder than normal weather).

### C. OCA

At hearing, the OCA stated that the proposed rate changes reflected in the Company's filing are just and reasonable, and recommended that those changes be approved.

### IV. COMMISSION ANALYSIS

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, 64-65 (2005) (citations omitted). The Commission applies the "just and reasonable" ratemaking standard set forth in RSA 374:2 and RSA 378:7 when setting COG rates. *See Northern Utilities, Inc.*, Order No. 25,891 (April 29, 2016). Based on our review of the record in this docket, we find the proposed 2020-2021 winter and 2021 summer COG rates just and reasonable and therefore approve them. We also approve Northern's LDAC rate components. Because the COG rates and LDAC rate components are reconciled each year, any adjustments needed to reconcile actual cost and revenue will be made in Northern's next winter COG filing for 2021-2022. 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, cumulatively, a maximum rate of 25 percent above the approved rate, with no limitation on reductions to the approved rates.

#### **Based upon the foregoing, it is hereby**

**ORDERED**, that Northern Utilities, Inc.'s 2020-2021 winter period COG per therm rates effective for service rendered on or after November 1, 2020, and its 2021 summer period per therm rates effective on and after May 1, 2021, are approved as follows:

| Customer Class      | 2020-2021 Winter COG | 2020-2021 Winter Maximum COG | 2021 Summer COG | 2021 Summer Maximum COG |
|---------------------|----------------------|------------------------------|-----------------|-------------------------|
| Residential         | \$0.7315             | \$0.9144                     | \$0.4412        | \$0.5515                |
| C&I High Winter Use | \$0.7437             | \$0.9296                     | \$0.4733        | \$0.5916                |
| C&I Low Winter Use  | \$0.6465             | \$0.8081                     | \$0.3943        | \$0.4929                |

and it is

**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, cumulatively, a maximum rate of 25 percent above the approved rate (said maximum rates identified in the table above) with no limitation 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 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 rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates, the rate to be adjusted monthly; and it is

**FURTHER ORDERED**, that Northern's proposed LDAC per therm rates effective for service rendered on or after November 1, 2020, through October 31, 2021, are \$0.1099 and \$0.0472 for residential and C&I customers respectively; and it is

**FURTHER ORDERED**, that Northern's proposed supplier balancing charge of \$0.71 per MMBtu of daily imbalance volumes is approved; and it is

**FURTHER ORDERED**, that Northern's proposed transportation peaking service demand charge of \$64.53 per MMBtu of peak maximum daily quantity per month is approved; and it is

**FURTHER ORDERED**, that Northern's proposed gas allowance factor of 1.30 percent is approved; and it is

**FURTHER ORDERED**, that Northern's proposed transportation capacity allocators as filed, are approved; and it is

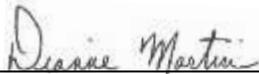
**FURTHER ORDERED**, that Northern's proposed Firm Sales Service Re-Entry Fee Bill Adjustment fee schedule as filed, is approved; and it is

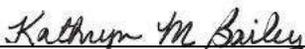
**FURTHER ORDERED**, that Northern's proposed short-term debt limits of \$18,157,000 for fuel financing and \$97,625,000 for non-fuel financing for the period November 1, 2020, through October 31, 2021, are approved; and it is

**FURTHER ORDERED**, that Northern shall promptly file properly annotated tariff pages in compliance with this order no later than 15 days from the issuance date of this order, as required by New Hampshire Code of Administrative Rules Part Puc 1603; and it is

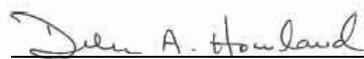
**FURTHER ORDERED**, that, before the next cost of gas proceeding, Northern shall submit its customer notice of proposed rate change for the 2021-2022 period to the Director of the Consumer Services and External Affairs Division prior to delivery to customers.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of  
October 2020.

  
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Dianne Martin  
Chairwoman

  
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Kathryn M. Bailey  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director

## Service List - Docket Related

Docket#: 20-154

Printed: 10/30/2020

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