DG 17-104

Orr&Reno

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September 5, 2017

Via Hand Delivery and Email
Debra A. Howland, Executive Director & Secretary
New Hampshire Public Utilities Commission
21 South Fruit St., Suite 10
Concord, NH 03301-2429

Re: DG 17-104, Northern Utilities, Inc., Petition to Change Delivery Service Terms and Conditions – Comments of Direct Energy Business Marketing, LLC

Dear Ms. Howland:

In reference to the above-captioned matter and in accordance with the procedural schedule adopted by the Commission, enclosed are an original and seven (7) copies of the Comments of Direct Energy Business Marketing, LLC on Northern Utilities, Inc.'s proposed changes to delivery service terms and conditions.

If you have any questions, please do not hesitate to contact me.

Thank you for your assistance.

Sincerely,

Douglas L. Patch

DLP/eac
Enclosure

cc (via email): Service List in DG 17-104

1904787_1

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DG 17-104

NORTHERN UTILITIES, INC.

Petition to Change Delivery Service Terms and Conditions

WRITTEN COMMENTS OF DIRECT ENERGY BUSINESS MARKETING, LLC ON NORTHERN UTILITIES, INC. PETITION TO CHANGE DELIVERY SERVICE TERMS & CONDITIONS

Introduction

Pursuant to the procedural schedule approved by the Public Utilities Commission ("Commission") in this proceeding on August 21, 2017, Direct Energy Business Marketing, LLC (hereinafter "Direct Energy") respectfully responds to the Commission's request for written comments.

Direct Energy is registered as a Competitive Natural Gas Supplier in the state of New Hampshire and currently serves small & large commercial as well as industrial natural gas customers in the state. Direct Energy is a subsidiary of Centrica plc, a Fortune Global 500 company, based in the United Kingdom (formerly known as British Gas). It is one of the largest competitive retail and wholesale providers of electricity, natural gas, solar design and installation services and home energy services in all of North America with nearly 5 million customer relationships with multiple brands in 46 states plus the District of Columbia and ten Canadian provinces.

Being a leading competitive supplier of natural gas actively serving customers in the state, Direct Energy has substantial business interests regarding Northern Utilities, Inc.'s proposed tariff terms & conditions changes and how those changes potentially may affect Direct Energy's customers and the overall competitive natural gas market in the state. Of paramount importance, Direct Energy is especially wary about the potential for significant market disruption as well as significant changes to its current and future customers that may undermine their confidence in and willingness to participate in the competitive natural gas markets. Therefore, we provide these written comments with the goal to better inform the Commission of our concerns and understanding of potential market impacts.

Written Comments

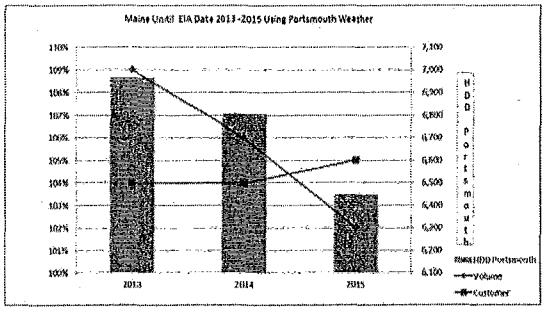
Upon review of Northern Utilities' proposed tariff petition, pre-filed testimony and responses to the Discovery questions in connection with the above referenced docket, Direct Energy has identified four areas of principle concern that include: the Total Capacity Quantity ("TCQ"); Capacity Ratio; Capacity Exempt Status; and Accessing Sales Service. As currently proposed, Direct Energy believe these tariff changes will result in significant disruption to its customers and the overall competitive natural gas market.

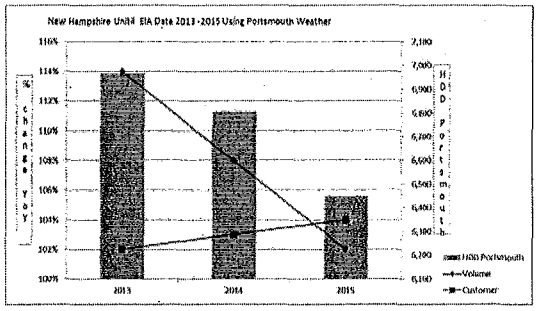
Annual TCQ Review

The Annual TCQ Review increase of 5% that Northern Utilities proposes is too low and is too burdensome for processing changes to customers TCQs. Currently, Northern assigns the TCQ based on peak day system requirements and uses a linear calculation to establish customer Base load and Heat factors. Northern proposes to adjust these annually so that as weather changes so do the Base Load and relative Heat Factors. This approach can lead to year over year not having the proper amount of capacity for the forward winter heating season. Direct Energy's concern is that weather can be volatile and making annual changes at a level of 5% will not best represent the actual forward capacity requirements because the calculation uses the prior year's weather for Base Load and Heat Factors.

1) Customers' Weather Sensitivity

a. Graphs A and B represent the Maine and New Hampshire service territories. The utility data is sourced from the EIA Natural Gas Annual Respondent Query System and the weather data is using NOAA daily Heating Degree Days (HDD) for Portsmouth, NH. As HDDs change the volumes reported for the same period change in the same direction. This shows that Northern Utilities' customer base is very volatile for temperature changes.





2) Volatile Weather Year over Year

a. Using Portsmouth as a weather point, Direct Energy assessed the last six years of day HDDs and plotted the peak HDD for each year. Since the weather changed by more than 5% for 4 years out of the last 5, Direct Energy believes that five percent would not be considered a significant change for an annual TCQ adjustment.

Year	Peak Day	% Chg
2012	59.63	6%
2013	63.08	8%
2014	68.38	-9%
2015	62.00	3%
2016	63.75	-7%
2017	59.17	

3) Moreover, to demonstrate the total impact of the proposed Annual TCQ review on its book of business, Direct Energy has prepared the following chart delineating the number of customer changes greater than percentage bandwidths before applying capacity ratio within its Northern Utilities New Hampshire customer base.

i. >5% 86%
ii. >10% 61%
iii. >20% 41%
iv. >50% 13%
v. >100% 5%
vi. >1000% 1%

4) Demand charge impacts to customers experiencing these changes. As some customers may see insignificant changes, others will see significant higher costs. Using Direct Energy's listing from the August estimated Annual TCQ review Direct Energy observed the following:

a. Using the customers' information from the response to Staff 1-4 (a copy of which is included as Attachment A to these comments), a TCQ move from .24 to 30.46 would have a demand change impact of 126% increase or about $12,000 more.

b. On average the customers with higher calculated TCQ will see an average 64% increase or about $7,577 more in demand charges.

c. On average the customers with lower calculated TCQ will see average 21% increase or about $2,526 less in demand charges.

From this data Direct Energy could surmise that all TCQ increases would be considerable and at a higher cost than the savings from TCQ decreases.

In summary, with regard to the Annual TCQ review, Direct Energy contends that 5% is too low of a bandwidth for planning for the forward winter season. Direct Energy's customers focus on multiple year planning cycles that typically look far beyond the upcoming winter heating season when contracting as they need to budget their energy costs and as such, setting a bandwidth of 50% would be more appropriate as the sensitivity to weather year over year would be removed.

It is Direct Energy's view that Northern Utilities' proposed Annual TCQ Review will subject competitive natural gas customers to significant change and market disruption resulting in confusion and potentially unwillingness to participate in the competitive gas market.

As described in Northern Utilities' response to ODR (Oral Data Request) 1-1 (Attachment B to these comments): "Applying a 10 percent bandwidth (before applying the Capacity Ratio), estimated peak day usage of 69 percent of customers changes by more than 10 percent and that of 31 percent of customers has not changed by more than 10 percent". Emphasis added. In other words, nearly 70% of all New Hampshire customers will experience some degree of change year over year. Conversely, in the state of Maine, the equivalent amount was 42% or less than half.[1] While we appreciate Northern Utilities' desire to bring its New Hampshire delivery service terms and conditions into alignment with its delivery service terms and conditions in the state of Maine, Direct Energy has significant concerns regarding the operational and financial implications of these changes on its customers. These significant customer considerations must also be considered by the Commission.

Moreover, based on an internal analysis as referenced in subsection 3 (see above) of Direct Energy's New Hampshire natural gas customers impacted with a five (5) percent and ten (10) percent bandwidth, 86% and 61% of our customers respectively would be impacted. While the five (5) percent bandwidth may be suitable for the state of Maine and its natural gas market, Direct Energy believes the application of the five (5) percent or ten (10) percent bandwidth would be unacceptable for the market conditions in the state of New Hampshire. Accordingly, Direct Energy proposes that the Commission considers the transition from the current use of no bandwidth to a 50% bandwidth in order to minimize the impact of customers' disruption and change. Direct Energy believes this incremental approach is prudent and would reduce the impact to customers.

Capacity Ratio

Direct Energy is not opposed to Delivery Service customers paying for the same or like amount of capacity that Sales Service customers would pay. However, retail natural gas suppliers need to have more information about the capacity contracts, utilization and direction

[1] In response to ODR 1-2 (Attachment C to these comments) Northern Utilities stated: "Applying a 10 percent bandwidth, before applying the Capacity Ratio, estimated peak day usage of 42 percent of Maine customers changed by more than 10 percent and that of 58 percent of customers did not changed by more than 10 percent."

Northern Utilities is taking when contracting for longer term assets in order to effectively manage and optimize their gas portfolio to serve their competitive customers.

If the amount of capacity is adjusted each November 1st for Delivery Service customers and the weather changes from the prior year then Northern Utilities will continue to have to sell or purchase additional supplies for Sales Service. This will have the same impact on Delivery Service customers. As the portfolio is presumably shared between the competing entities, Northern Utilities and retail natural gas suppliers, the sharing mechanism needs to be designed in a manner to establish a fair and consistent capacity resource allocation. In Direct Energy's view, Sales Service customers currently have more favorable opportunities for better pricing than Delivery Service customers because the LDC can forecast a plan for a longer range of time.

For example, it has been disclosed to retail natural gas suppliers that the Atlantic Bridge Pipeline Project[2] has an expected in-service date of November 2018. However, it is unclear the impact this additional capacity will have on the volume and rate of the Northern Utilities portfolio and the downstream effects.

Northern Utilities has stated to suppliers that it cannot match capacity to peak day planning due to the uncertainty of the Atlantic Bridge project. Moreover, Northern Utilities has stated that it plans to take up to three (3) years to contract for this additional capacity, but only provide 3 to 4 months of lead time for retail natural gas suppliers serving customers on its system. This amount of lead time for retail gas suppliers is woefully inadequate to allow suppliers to effectively integrate and utilize this new capacity into their supply portfolio.

Finally, having the TCQ incorporate the Capacity Ratio would also be confusing as the TCQ goes down but Capacity Ratio increases; it would be an ambiguous calculation to explain to the customer. Direct Energy recommends that Northern Utilities publish the Capacity Ratio as a percentage which would be separate from the TCQ for each customer.

Capacity Exempt Status

The costs associated with customers becoming capacity exempt can outweigh any savings for the Delivery Service Supply option. See the response to Staff 1-6 (Attachment D to these comments) outlining the cost to obtain telemetering equipment. As this response indicates, G-42 and G-52 customers who elect delivery service will incur significant additional telemetering costs. These costs will include the installation and ongoing costs for a dedicated phone line, as well as telemeter installation costs that will vary depending on whether the meter is instrumented or not. In addition there are ongoing maintenance fees for the telemetering equipment. Direct Energy is concerned that when these costs are added up, a customer may decide that it does not make economic sense to elect the Delivery Service supply option, and that

[2] The Atlantic Bridge Project is designed to provide an additional 132,700 dekatherms per day of capacity on the Algonquin Gas Transmission and Maritimes & Northeast Pipeline systems of natural gas into New England region.

these new costs will have a chilling effect on customers' interest in participating in the competitive market. This response also points out that for C & I capacity exempt customers other than G-42 and G-52, there is currently no requirement for daily metering and Northern is responsible for installing meters and telemetering equipment for daily metered customers. The proposed changes to terms and conditions will thus result in what could be significant additional expenditures noted above for these customers as well.

Accessing Sales Service

Direct Energy believes the proposed Stay Period will impose certain fees that will result in additional costs being imposed on those customers seeking Delivery Service. Once again, Direct Energy is concerned about the cost impact on customers and their ongoing willingness to participate in the competitive market.

Northern Utilities proposes those customers seeking Sales Service that are Capacity Assigned pay a Re-entry Fee Surcharge during their Stay Period. Direct Energy believes there should be a reconciliation mechanism of the Capacity Ratio to retail gas suppliers for those customers returning as they will utilize the capacity Northern Utilities has available on their system. The proposed mechanism will provide an adjustment to those customers staying on Delivery Service. Direct Energy proposes that if the Capacity Ratio is greater than 100%, then a credit should be applied back to the Delivery Service capacity calculation and conversely, if the Capacity Ratio is less than 100%, a charge should be applied back to the Delivery Service capacity calculation.

Direct Energy believes it would be just and prudent that the costs of customer migration should be fair and consistent across the entire population of eligible customers.

Conclusion

On behalf of Direct Energy, we appreciate the opportunity to file these written comments with the Commission.

Respectfully submitted,

Direct Energy Business Marketing, LLC

By Its Attorneys
Orr & Reno, P.A.

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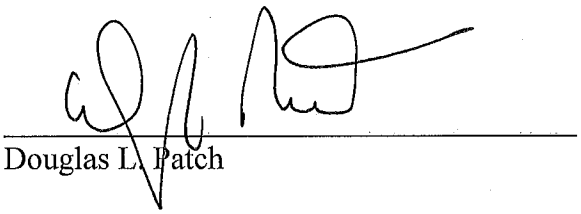
Dated: September 5, 2017

Certificate of Service

I hereby certify that a copy of the foregoing Comments have on this 5th day of September, 2017 been either sent by electronic or first class mail, postage prepaid, to persons listed on the Service List.



Douglas L. Patch

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Attachment A

Northern Utilities, Inc.
Docket No. DG 17-104
Petition to Change Delivery Service Terms and Conditions
Staff – Data Requests – Set 1

Received: August 2, 2017 Date of Response: August 15, 2017

Request No. Staff 1-4 Witness: Robert S. Furino

Request:

Reference Furino Testimony, page 9 lines 14-16. What is the range of TCQ changes that result in an averages increase of 14 percent? Provide all relevant analysis.

Response:

The average increase of 14 percent refers to capacity assigned customers' peak day demands plus the Company Gas Allowance, which is currently the basis for TCQ. Under the Company's proposal, Northern would also include a capacity ratio that would further adjust customer peak day demands to reflect the length or shortness of the capacity portfolio.

The range of estimated peak day demand changes varies greatly for some customers, with the highest percentage change being over 12,000%, reflecting an increase from 0.24 Dth to 30.46 Dth, and the lowest percentage change being 0.04%. These precentages are before applying the capacity ratio.

Based on the Annual TCQ Review mentioned in response to Staff 1-3, out of 912 capacity assigned delivery service customers, 456 would see an increase if estimated peak day demands and Company Gas Allowance is updated, while 456 would see a decrease. Again, these are usage based changes, before applying the capacity ratio.

Attachment B

Northern Utilities, Inc.
Docket No. DG 17-104
August 16, 2017 Technical Session Oral Data Requests

Received: August 16, 2017
Request No. ODR 1-1

Date of Response: August 31, 2017
Witness: Robert Furino

Request ODR 1-1:

Please update the percentage of customers whose estimated peak day demands varied by more or less than the bandwidth using a 10 percent bandwidth.

Response:

Applying a 10 percent bandwidth (before applying the Capacity Ratio), estimated peak day[1] usage of 69 percent of customers changes by more than 10 percent and that of 31 percent of customers has not changed by more than 10 percent. See also Staff 1-3(b).

[1] The term "peak day usage" as used herein refers to estimated peak day usage as determined using the weather normalization process described in response to Staff 1-5

Northern Utilities, Inc.
Docket No. DG 17-104
August 16, 2017 Technical Session Oral Data Requests

Attachment C

Received: August 16, 2017
Request No. ODR 1-2

Date of Response: August 31, 2017
Witness: Robert Furino

Request ODR 1-2:

Please provide the number of customers affected by the Annual TCQ Review performed in the Maine Division.

Response:

Based on the second Annual TCQ Review in the Maine Division, before applying the Capacity Ratio, estimated peak day usage of 65 percent of customers changed by more than 5 percent and that of 35 percent did not change by more than 5 percent. Applying a 10 percent bandwidth, before applying the Capacity Ratio, estimated peak day usage of 42 percent of Maine customers changed by more than 10 percent and that of 58 percent of customers did not changed by more than 10 percent. Aggregate estimated peak day demand of capacity assigned customers increased by 3 percent.

Attachment D

Northern Utilities, Inc.
Docket No. DG 17-104
Petition to Change Delivery Service Terms and Conditions
Staff – Data Requests – Set 1

Received: August 2, 2017 Date of Response: August 15, 2017

Request No. Staff 1-6 Witness: Robert S. Furino

Request:

Reference Furino Testimony, p. 16 of 33, lines 14-20.

a. Please describe and estimate G-42 and G-52 customer costs to purchase and install a meter and for telemetering and maintenance.

b. For each C&I customer class please identify metering costs reflected in rates and the amount recovered through each rate component.

c. For C&I customer classes other than the G-42 and G-52, is Northern responsible for installing meters and telemetering equipment for daily metered customers? If not, do daily metered customers in those classes pay a lower customer charge and/or delivery rate? Explain.

Response:

a. G-42 and G-52 customers only require telemetering if they elect delivery service. Typically, costs for telemetering vary depending on the customer's existing meter and the required telemetering equipment. Pursuant to the Tariff, customers are required to install dedicated phone lines and electrical services, and are charged by the Company for all telemetering equipment, installation and maintenance. The Company currently projects the typical telemeter installation cost for a customer with an instrumented meter at approximately $1,100 and for a customer with a non-instrumented meter at $2,200, with the primary difference being the required telemetering equipment. Telemetering maintenance feess primarily reflect labor charges associated with service visits and are estimated at $12 per month..

b. The Company does not separate telemetering equipment from its other metering equipment. As of December 31, 2016, the Company had $3,822,132 and $18,342,522 in Distribution Meters and Meter Installations Plant in Service, respectively, and $1,541,268 and $5,924,107 in Distribution Meters and Meter Installations Reserve Balances, respectively. For 2016, the Company incurred $736,487 and $88,111 in Meter and House Regulator Expenses and Meter Reading Expenses, respectively. Metering costs are reflected in the Company's base rates and fees but are not identified specifically by or within a specific component other than those mentioned in response to a, above.

Northern Utilities, Inc.
Docket No. DG 17-104
Petition to Change Delivery Service Terms and Conditions
Staff – Data Requests – Set 1

Received: August 2, 2017 Date of Response: August 15, 2017

Request No. Staff 1-6 Witness: Robert S. Furino

c. Currently, C&I customer rate classes other than G-42 and G-52 do not have a requirement for daily metering, although daily metering is optional. Under the Tariff, Northern is responsible for installing meters and telemetering equipment for daily metered customers.