NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2020/OCTOBER 2021 ANNUAL COST OF GAS ADJUSTMENT FILING
PREFILED TESTIMONY OF
S. ELENA DEMERIS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is S. Elena Demeris. My business address is 6 Liberty Lane West, Hampton, New Hampshire.

Q. For whom do you work and in what capacity?

A. I am a Senior Regulatory Analyst for Unitil Service Corp. ("Unitil Service"), a subsidiary of Unitil Corporation that provides managerial, financial, regulatory and engineering services to Unitil Corporation's principal subsidiaries Fitchburg Gas and Electric Light Company, d/b/a Unitil ("FG&E"), Granite State Gas Transmission, Inc. ("Granite"), Northern Utilities, Inc. d/b/a Unitil ("Northern"), and Unitil Energy Systems, Inc. ("UES") (together "Unitil"). In this capacity I am responsible for preparing regulatory filings, pricing research, regulatory analysis, tariff administration, revenue requirements calculations, customer research, and other analytical services.

Q. Please summarize your professional and educational background.

A. In 1996, I graduated from the University of Massachusetts - Lowell with a Bachelor's of Science Degree in Civil Engineering. In 2005, I earned a Master's Degree in Business

Administration and in 2006 a Master's Degree in Finance from Southern New Hampshire University. I joined Unitil in July 1998 in the regulatory/rate department.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to introduce and describe Northern's (or "the Company") proposed changes to its Local Delivery Adjustment Charges ("LDAC"). Northern is proposing changes to its LDAC for effect November 1, 2020 for the following components: Gas Assistance Program and Regulatory Assessment ("GAPRA"), formerly the Residential Low Income Assistance and Regulatory Assessment ("RLIARA") Costs Rate, Energy Efficiency Charge (EEC), Environmental Response Cost ("ERC") Rate, and Lost Revenue Rate ("LRR"). Northern is not proposing to change the following LDAC components: Interruptible Transportation Margin (ITM), Rate Case Expense (RCE) Factor and Reconciliation of Permanent Changes (RPC) in Distribution Rates. My testimony also discusses the impact the proposed cost of gas (COG) and LDAC rate changes have on customer bills during the 2020-2021 Winter and 2021 Summer Seasons.

Q. What are the Company's proposed LDAC surcharges?

A. The Company is submitting for approval a proposed LDAC of $0.1099 per therm for the Residential Class and $0.0472 per therm for the Commercial/Industrial (C&I) Class effective November 1, 2020 through October 31, 2021. The proposed rates are included on the Fourth Revised Tariff Page 62, superseding the Third Revised Tariff Page 62.

Q. Please describe the purpose of the GAPRA.

A. The purpose of this rate is to allow the Company to recover revenue discounts associated with customers participating in the Gas Assistance Program and Regulatory Assessment (GAPRA), as well as the associated administrative costs of that program, pursuant to the Commission's Order in Docket No. DG 05-076. The Commission's Order in Docket DG 20-013 renamed the RLIA effective November 1, 2020. The order also modified the program to apply a 45% discount to both distribution and supply rates, excluding the LDAC, and to apply the discounts during the winter period only. These changes are reflected in Schedule 37. This rate also recovers the non-distribution (or COG) portion of the annual NHPUC Regulatory Assessment (RA) to the Company. The GAPRA rate is charged on all sales and delivery only services billed under the Company's rate schedules.

Q. Please describe the proposed change to the GAPRA rate.

A. Northern is proposing to increase the GAPRA rate from $0.0036 to $0.0044 per therm effective November 1, 2020.

Q. Could you describe the derivation of the proposed GAPRA rate?

A. The GAP rate is derived by estimating the Company's Gas Assistance Program and Regulatory Assessment costs from November 1, 2020 through October 31, 2021, the

Regulatory Assessment costs from July 1, 2020 through June 30, 2021, and the total account ending balance as of October 31, 2020, based on actual data s through July, 2020 and estimated data from August 1, 2020 to October 31, 2020. The GAPRA costs are estimated to be $289,640 and are shown on Schedule 37 GAPRA, Page 1 of 3, Line 21. Lines 1-7 explain the derivation of these costs. The estimated 2020 NHPUC Regulatory Assessment collected in the LDAC, $63,505, is shown on Schedule 37 GAP, Page 1 of 3, Line 24, and is based on the NHPUC invoice dated August 19, 2020. Page 3 of 3 of the schedule shows the assignment of the NHPUC annual Regulatory Assessment to distribution and non-distribution costs. The $368,964 assigned to distribution represents the amount established in the Company's last base rate case proceeding in Docket No. DG 17-070. The remainder, $63,505, is assigned to the GAPRA and LDAC.

Lastly, the projected over-collection ending balance of the GAPRA is ($33,560) as of October 31, 2020, and is derived as shown on Schedule 37 GAP, Page 2 of 3. The total amount of these three factors, $319,585, is shown on Page 1 of 3, line 25, of Schedule 37 GAPRA, and is divided by estimated weather-normalized firm therm sales billed to customers for the twelve-months ended October 31, 2021 to derive the proposed GAPRA charge of $0.0044 per therm.

Q. What is the purpose of the EEC Rate?

The purpose of the EEC rate is to recover from customers, excluding those with Special Contracts, Energy Efficiency (EE) program costs and performance incentives.

Q. What are the changes being proposed to the EEC?

A. The Company is proposing to increase the EEC rate for the Residential Customer Class from $0.0499 per therm to $0.0774 per therm, and increase the charge for the C&I Customer Class from $0.0247 per therm to $0.0337 per therm effective November 1, 2020.

Q. Please describe the reason for these proposed changes to and the derivation of the EEC rate.

A. The proposed changes to the EEC rate are necessitated by the implementation of Northern's 2021 EE program budgets. The budgets for the Residential and C&I customer classes are provided in Schedule 37 EEC, Page 1 of 4. They include expected monthly costs for the remainder of the 2020 rate year (August 2020 – October 2020, proposed in Docket No. DE 20-092) and costs for 12 months of the 2021 rate year (November 2020 – October 2021). The proposed changes to the EEC rate are impacted by an expected under-collection in the November 1, 2020 beginning balance of the Residential class and an expected over-collection in the November 1, 2020 beginning balance of the C&I class. The derivation of the EEC rate is provided in Schedule 37 EEC, Page 2 of 4. As shown, it is derived by customer class and includes an annual Reconciliation Adjustment of program costs, Performance Incentives and an adjustment for Low-Income Discounts. Supporting information regarding the development of the proposed EEC for the Residential Classes is provided in Schedule 37 EEC, Page 3 of 4, and Page 4 of 4 provides the support for the proposed C&I Class.

Please note the EEC Reconciliation Adjustments show actuals through July 2020 and estimates through October 2021 to correspond with the EEC Reconciliation (Attachment J3) filed by the Company on September 1, 2020 in the Docket No. DE 20-092, 2021 – 2023 Plan.

Q. Please explain the purpose of the LRR?

A. The purpose of the LRR is to recover lost distribution revenue related to the Company's Energy Efficiency programs. This rate mechanism was established in accordance with Order No. 25,932 in Docket No. DE 15-137 approving a Settlement Agreement which provides for the implementation of a Lost Revenue Rate adjustment mechanism.

Q. What are the changes being proposed to the LRR?

A. The Company is proposing to increase the LRR rate for the Residential Customer Class from $0.0114 per therm to $0.0220 per therm, and increase the charge for the C&I Customer Class from $0.0019 per therm to $0.0030 per therm effective November 1, 2020.

Q. Please explain the calculation of the proposed LRR?

A. The calculation of the LRR is provided on Schedule 37-LRR. As shown on Page 1, the LRR for the Residential and C&I Classes is derived by adding projected annual lost distribution revenue over the period November 1, 2020 through October 31, 2021, the expected October 31, 2020 reconciliation ending balance and the projected interest on monthly over/under collections, and dividing this total by forecast annual therm throughput, by class. Page 2 provides the projected customer class monthly reconciliation of costs and revenue for the period November 2019 through October 2021. Beginning monthly balances are shown on Lines 2 and 21 for the Residential and C&I classes, respectively, and ending monthly balances are shown on Lines 19 and 39, respectively. Page 3 provides the calculation of estimated lost distribution revenue based on estimated customer class therm savings as seen on Lines 4 and 8. Page 4 provides further detail for the estimated savings that are used in the calculation of lost revenue on Page 3. Page 5 provides the calculation of the Company's average distribution rates by sector, excluding Customer Charges. These average distribution rates are derived by taking seasonal averages of total volumetric revenue divided by total Winter and Summer Season therms, by class. Please note the LRR reconciliations here correspond with the LRR Reconciliation (Attachment J5) filed by the Company on September 1, 2020 in Docket No. DE 20-092, 2021 – 2023 Plan.

Q. Please explain the purpose of Northern's ERC.

A. The purpose of the ERC is to recover expenditures associated with remediation of former manufactured gas plants. The ERC is applied to all gas sales and delivery service billed under the Company's sales and delivery service rate schedules. The costs submitted for recovery through the ERC recovery mechanism are presented in the ERC Filing submitted in this docket under separate cover. The environmental investigation and remediation costs that underlie these expenses are the result of efforts by the Company to respond to its legal obligations at sites located in Exeter and Rochester, New Hampshire. In total, the Company has incurred environmental remediation costs of $77,165 from July 2019 through June 2020. A summary sheet and detailed backup spreadsheets supporting 2019-2020 costs are provided in the ERC Filing

Q. Please describe the change to Northern's ERC rate that is proposed for effect November 1, 2020.

A. The current ERC rate is $0.0057 per therm. Northern proposes to increase this rate to $0.0061 per therm.

Q. Please explain the calculation of the proposed ERC rate.

A. As stated above, during the period July 1, 2019 through June 30, 2020, ERC expenses totaled $77,165. Northern is allowed to recover one-seventh of the actual response costs incurred by the Company in a twelve-month period ending June 30 of each year until fully amortized over seven years, plus any insurance and third-party expenses for the year, or $421,540 (see table below). Due to the amortization of these costs, the ERC rate in this filing includes the current year ($77,165 divided by 7, or $11,024) and six prior years of unamortized amounts. Any insurance and third-party recoveries or other credits for the year are used to reduce the unamortized balance. The total ERC costs to be recovered, shown below and on Page 1, Line 13, of Schedule 38 - ERC (this schedule is also Schedule 1 submitted by the Company in the Environmental Response Cost filing) are comprised of the following:

1/7 ERC costs incurred July 2019 – June 2020	$11,024
1/7/ ERC costs incurred July 2018 – June 2019	$29,051
1/7/ ERC costs incurred July 2017 – June 2018	$40,449
1/7th ERC costs incurred July 2016 - June 2017	$7,736
1/7th ERC costs incurred July 2015 - June 2016	$ 311,412
1/7th ERC costs incurred July 2014 - June 2015	$ 16,028
1/7th ERC costs incurred July 2013 - June 2014	$ 5,840
Total	$421,540

In addition, the ERC rate includes the prior period reconciliation of ERC costs. The October 31, 2020 ending balance is estimated to be an under collection of $25,122, as shown on Schedule 37-ERC Page 2 of 2. Also included are the ending balances of the RPC and /RCE as proposed in DG 17-070. Given the above, total ERC costs to be recovered for the period of November 2020 through October 2021 are $443,652. Dividing the recoverable ERC costs by projected total annual sales of 72,579,945 therms results in an ERC rate of $0.0061 per therm. This calculation is illustrated in Schedule 37 ERC, Page 1 of 2.

Q. Does the proposed LDAC include a credit for Interruptible Transportation Margins?

A. No. The Company did not provide Interruptible Transportation service during the past year, has not provided this service for many years and does not expect to provide any in the upcoming year. Therefore, Northern has not credited any actual or expected interruptible margins back to customers.

Q. Have you prepared typical bill analyses showing the impacts of the proposed COG and LDAC rate changes for effect on November 1, 20120for typical Residential heating customers over the upcoming Winter Season?

A. Yes, Schedule 3, pages 1 through 5 provides the analyses. It shows that a typical Residential heating customer consuming 600 therms during the 2020/2021 Winter Season will expect a bill of $1,053.04. This is an increase of $123.60, or 13.3% compared to the 2019/2020 Winter Season bill with the same consumption.

Q. Have you prepared typical bill analyses showing the impacts of the proposed COG and LDAC for effect on May 1, 2021 for typical Residential heating gas customers over the next Summer Season?

A. Yes, Schedule 3, pages 6 through 10 provides this analysis. It shows that a typical residential heating customer consuming 132 therms during the 2021 Summer Season will expect a bill of $286.83. This is an increase of $32.47, or 12.8% compared to the 2020 Summer Season bill with the same consumption.

Q. Does this conclude your testimony?

A. Yes, it does.