NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2021/OCTOBER 2022 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, 2021 for the following components: Gas Assistance Program and Regulatory Assessment (“GAPRA”), 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 2021-2022 Winter and 2022 Summer Seasons.

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

A. The Company is submitting for approval a proposed LDAC of $0.0631 per therm for the Residential Class and $0.0360 per therm for the Commercial/Industrial (C&I) Class effective November 1, 2021 through October 31, 2022. The proposed rates are included on the Fifth Revised Tariff Page 62, superseding the Fourth 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 Attachment NUI-SED-1 GAPRA. 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. In Docket DG 21-123, currently pending before the Commission, the Company proposed a reconciling mechanism, the Regulatory Cost Adjustment Mechanism (RCAM), to recover excess property tax expense. If approved, the RCAM would also include the Regulatory Assessment, removing that cost component from the GAPRA.

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

A. Northern is proposing to increase the GAPRA rate from $0.0044 to $0.0060 per therm effective November 1, 2021.

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

A. The GAPRA rate is derived by estimating the Company's Gas Assistance Program and Regulatory Assessment costs from November 1, 2021 through October 31, 2022, the Regulatory Assessment costs from July 1, 2021 through June 30, 2022, and the total account ending balance as of October 31, 2021, based on actual data through July, 2021 and estimated data from August 1, 2021 to October 31, 2021. As shown on Attachment NUI-SED-1 GAPRA, Page 1 of 3, Line 16, total estimated costs are $471,152. Lines 1-7 provide the derivation of the average per customer subsidy. The estimated 2022 NHPUC Regulatory Assessment collected in the LDAC, $116,230, is shown on Page 1 of 3, Line 15, and is based on the NHPUC invoice dated August 19, 2020. As of this filing the Company has not received an invoice for the 2022 Assessment. 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 is assigned to the GAPRA and LDAC.

Lastly, the projected October 31, 2021 ending balance of the GAPRA is an under-collection of $26,008, and is derived as shown on Attachment NUI-SED-1 GAPRA, Page 2 of 3. The total amount of these three factors, $471,152, is shown on Page 1 of 3, line 16, of Attachment NUI-SED-1 GAPRA, and is divided by estimated weather-normalized firm therm sales billed to customers for the twelve-months ended October 31, 2022 to derive the proposed GAPRA charge of $0.0060 per therm shown on Page 1 of 3, line 22.

Q. Does the proposed rate exceed the program cost or bill impact thresholds established in Order No. 26,397, issued August 27, 2020 in Docket DG 20-013?

A. No, it does not. The thresholds established in Order No. 26,397 are (1) GAP overall program costs exceed one percent of a utility's gross (annual) revenue; and (2) GAP overall program costs exceed one percent of the typical residential heating customer's total annual bill. (1) Projected gross revenue, based on the 2021 Y-T-D average $/therm times the November 2021 – October 2022 therm sales forecast of 78,231,768 results in an estimated gross revenue of $66,410,948. GAPRA projected program subsidies represent 0.50% of the estimated gross revenue. Total program costs, including the assessment, represent 0.67% of the estimated gross revenue. (2) As shown on Attachment NUI-SED-3, Page 1 of 10, the typical residential heating customer's annual bill for the November 2021 – October 2022 period is $1,409.96. Of that amount $4.29 or 0.30% is attributable to the GAPRA.

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 decrease the EEC rate for the Residential Customer Class from $0.0774 per therm to $0.0449 per therm, and decrease the charge for the C&I Customer Class from $0.0337 per therm to $0.0238 per therm effective November 1, 2021.

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 reflect 2020 program budgets. In its last filing Northern set EEC rates based on the 2021-2023 3-year plan filed in DE 20-092. In an Order issued December 29, 2020 in DE 20-092, the Commission approved extension of the 2020 program budgets until an order in the proceeding is issued. Spending levels in 2021 and the proposed November 2021-October 2022 rate period remain at 2020 budget levels. The budgets for the Residential and C&I customer classes are provided in Attachment NUI-SED-1 EEC, Page 1 of 4. They include estimated monthly costs for the remainder of the 2021 rate year (August 2021 – October 2021, and estimated costs for the 2022 rate year (November 2021 – October 2022). The proposed changes to the EEC rate are impacted by an expected over-collection in the November 1, 2021 beginning balance of the Residential class and an expected over-collection in the November 1, 2021 beginning balance of the C&I class. The derivation of the EEC rate is provided in Attachment NUI-SED-1 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 Attachment NUI-SED-1 EEC, Page 3 of 4, and Page 4 of 4 provides the support for the proposed C&I Class.

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 changes are being proposed to the LRR?

A. The Company is proposing to decrease the LRR rate for the Residential Customer Class from $0.0220 per therm to $0.0066 per therm, and decrease the charge for the C&I Customer Class from $0.0030 per therm to $0.0006 per therm effective November 1, 2021. On August 2, 2021 Northern filed a rate case with the Commission, Docket No. DG 21-104. In its filing Northern proposed to transition to decoupling beginning August 1, 2022. As part of that transition Northern will stop accruing lost revenue July 31, 2022. See DG 21-104, Exhibit CGDN-1, pages 59-61 [Bates 000111-00113], attached here as Appendix 1, for your convenience.

Q. Please explain the calculation of the proposed LRR?

A. The calculation of the LRR is provided on Attachment NUI-SED-1 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 July 31, 2022, the expected October 31, 2021 reconciliation ending balance and the projected interest on monthly over/under collections, and dividing this total by forecast annual therm throughput, by class. Pages 2 and 2a provide the projected customer class monthly reconciliation of costs and revenue for the period November 2020 through October 2022. Note that November 2020 through October 2021 has been recast to reflect adjusted savings as discussed above and in Appendix 1. 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. Pages 3 and 3a provides the calculation of estimated lost distribution revenue based on estimated customer class therm savings. The savings calculations shown on Pages 3 and 3a of Attachment NUI-SED-1 LRR reflect the transition to decoupling discussed in Appendix 1. 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.

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 a site located in Rochester, New Hampshire. In total, the Company has incurred environmental remediation costs of $118,256 from July 2020 through June 2021. A summary sheet and detailed backup spreadsheets supporting 2020-2021 costs are provided in the ERC Filing.

Q. Please describe the change to Northern's ERC rate that is proposed for effect November 1, 2021.

A. The current ERC rate is \$0.0061 per therm. Northern proposes to decrease this rate to \$0.0056 per therm.

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

A. As stated above, during the period July 1, 2020 through June 30, 2021, ERC expenses totaled \$118,256. 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. Due to the amortization of these costs, the ERC rate in this filing includes the current year (\$118,256 divided by 7, or \$16,894) 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 cost to be recovered, \$432,594, is shown in the following table and on Page 1, Line 13, of Attachment NUI-SED-2 ERC (this schedule is also Schedule 1 submitted by the Company in the Environmental Response Cost filing).

1/7 ERC costs incurred July 2020 – June 2021	$16,894
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
Total	**$432,594**

In addition, the ERC rate includes the prior period reconciliation of ERC costs. The October 31, 2021 ending balance is estimated to be an under collection of $3,446, as shown on Attachment NUI-SED-1 ERC Page 2 of 2. Total ERC costs to be recovered for the period of November 2021 through October 2022 are $436,040. Dividing the recoverable ERC costs by projected total annual sales of 78,231,768 therms results in an ERC rate of $0.0056 per therm. This calculation is illustrated in Attachment NUI-SED-2 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, 2021 for typical Residential heating customers over the upcoming Winter Season?

A. Yes, Attachment NUI-SED-3, page 1 provides the analyses. It shows that a typical Residential heating customer consuming 581 therms during the 2021/2022 Winter Season will expect a bill of $1,118.29. This is an increase of $93.55, or 9.1% compared to the 2020/2021 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, 2022 for typical Residential heating gas customers over the next Summer Season?

A. Yes, Attachment NUI-SED-3, page 6 provides this analysis. It shows that a typical residential heating customer consuming 133 therms during the 2022 Summer Season will expect a bill of $291.67. This is a decrease of $3.49, or -1.2% compared to the 2021 Summer Season bill with the same consumption.

Q. Does this conclude your testimony?

A. Yes, it does.

in the area to further support the economics of the expansion. Furthermore, the pipelines installed in Epping have sufficient capacity to serve other communities should the Company continue to expand its distribution network.

VII. TRANSITION TO DECOUPLING

Q. How will the Company transition from Lost Base Revenue Recovery as part of the Lost Revenue Rate ("LRR") to Decoupling?

A. At the start of the proposed decoupling period of August 1, 2022, the Company will stop accruing Lost Base Revenue ("LBR") associated with Energy Efficiency savings. Up until that time, the Company will continue to collect and accrue LBR associated with the 2020 energy efficiency savings, the 2021 energy efficiency savings and the 2022 energy efficiency savings through July 31, 2022, assuming a start date of decoupling of August 1, 2022. Table 3 below outlines how the transition will work based on the proposed temporary rates, permanent rates and decoupling start period of August 1, 2022 timeline. The Company is not proposing any change to the LRR at this time and instead will make all required changes, including reconciliations in subsequent LRR filings as appropriate.

Table 3: Transition from LBR to Decoupling

October 1, 2021 (Temporary Rates Effective)
Stop accruing lost revenue associated with the 2017 savings
Stop accruing lost revenue associated with the 2018 savings
Stop accruing lost revenue associated with the 2019 savings
Continue accruing lost revenue associated with the 2020 savings*
Continue accruing lost revenue associated with the 2021 savings
January 1, 2022 to August 1, 2022
Continue accruing lost revenue associated with the 2020 savings*
Continue accruing lost revenue associated with the 2021 savings
Continue accruing lost revenue associated with the 2022 savings
August 1, 2022 (Permanent Rates Effective - Begin Decoupling)
Stop accruing lost revenue associated with the 2020 savings*
Stop accruing lost revenue associated with the 2021 savings
Stop accruing lost revenue associated with the 2022 savings
*Taking into account timing of the month of installtion for the 2020 measures

Q. Why will the Company continue to accrue lost revenue associated with the 2020 measures if 2020 was the test year?

A. The Company needs to continue to recover lost revenue associated with the savings reduction not reflected in the 2020 test year. For example, for a measure that was installed in December 2020 that is estimated to save 120 therms annually, the impact on the 2020 test year sales would only reflect a reduction of 10 therms kWh (120 / 12 months * 1 month). The remaining 110 therms of savings would be realized in 2021, so it is necessary to continue to recover lost revenue associated with the 2020 savings, taking into account the month that savings were realized in 2020. Table 4 below shows an illustrative example of how the calculation would work based on the 145,178 therms of actual annual 2020 savings installed in 2020. The 2020 test year would reflect a reduction in sales of 65,169 therms with the remaining reduction of 80,008 therms of savings reduction occurring in 2021.

Table 4: Illustrative 2020 Savings Annualization

Northern Utilities, Inc.
2020 Residential Installed Therm Savings
Savings Annualization

Line	Description	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020 Annual Savings
	Col. A	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
1	**Monthly Residential Therm Savings***	**-**	**16,204**	**15,242**	**7,355**	**918**	**4,876**	**3,827**	**30,944**	**14,644**	**24,534**	**7,203**	**19,430**	**145,176**
2														
3	**Monthly Residential Therms Savings**													
4	January 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
5	February 2020		1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	14,853
6	March 2020			1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	12,702
7	April 2020				613	613	613	613	613	613	613	613	613	5,516
8	May 2020					76	76	76	76	76	76	76	76	612
9	June 2020						406	406	406	406	406	406	406	2,844
10	July 2020							319	319	319	319	319	319	1,913
11	August 2020								2,579	2,579	2,579	2,579	2,579	12,893
12	September 2020									1,220	1,220	1,220	1,220	4,881
13	October 2020										2,044	2,044	2,044	6,133
14	November 2020											600	600	1,201
15	December 2020												1,619	1,619
16	**Total 2020 Therm Savings Realized in 2020**	**-**	**1,350**	**2,621**	**3,233**	**3,310**	**3,716**	**4,035**	**6,614**	**7,834**	**9,879**	**10,479**	**12,098**	**65,169**
17														
18	**2020 Residential Therm Savings Realized in 2021**	**-**	**1,350**	**2,540**	**1,839**	**306**	**2,031**	**1,913**	**18,051**	**9,762**	**18,400**	**6,003**	**17,811**	**80,008**

*Per DE 17-136 Northern Utilities, Inc 2020 Energy Efficiency Revised Annual Report filed on June 29, 2021 Page 1 of 18(Revised)

VIII. PROPOSED TARIFF CHANGES

Q. Please summarize the proposed tariff changes presented in the Company's filing.

A. The Company's proposed tariff changes reflect: (1) the proposed rates, as presented in the prefiled testimony of Ron Amen and John Taylor; (2) the proposed Revenue Decoupling Adjustment Clause as presented in the prefiled testimony of Timothy Lyons; (3) proposed changes to the Company's proposed RCAM tariff, which is a component of the LDAC; (4) proposed Temporary Rate surcharge; and (5) changes to the Company's delivery service terms and conditions as supported by Mark Lambert.