

**NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
ANNUAL PERIOD 2021-2022
COST OF GAS FILING**

**SUPPLEMENTAL PREFILED TESTIMONY OF
FRANCIS X. WELLS**

1 **Q. Please state your name and business address.**

2 A. My name is Francis X. Wells. My business address is 6 Liberty Lane West, Hampton,
3 NH.

4 **Q. What is your relationship with Northern Utilities, Inc.?**

5 A. I am employed by Unitil Service Corp. (the "Service Company") as Manager of Energy
6 Planning. The Service Company provides professional services to Northern Utilities, Inc.

7 **Q. Please briefly describe your educational and business experience.**

8 A. I earned my Bachelor of Arts Degree in both Economics and History from the
9 University of Maine in 1995. I joined the Service Company in September 1996 and
10 have worked primarily in the Energy Contracts department. My primary
11 responsibilities involve gas supply planning and acquisition.

12 **Q. Have you previously testified before the New Hampshire Public Utilities
13 Commission ("Commission")?**

14 A. Yes. I have testified as Northern's gas supply witness before the Commission in
15 Northern's Cost of Gas ("COG") proceedings.

16 **Q. Please explain the purpose of your supplemental prefiled testimony in this
17 proceeding.**

1 A. The purpose of my supplemental prefiled testimony is to provide an update on the recent
2 volatility in NYMEX natural gas futures prices that has occurred since Northern
3 submitted its 2021-2022 Annual COG filing and to inform the Commission that Northern
4 has fixed the NYMEX price for a portion of its physical supply contracts to mitigate the
5 risk of NYMEX price spikes during the upcoming Winter Period. At the time of
6 Northern's Initial Filing in this 2021-2022 Annual Period COG, 40 percent of the
7 Company's projected supply volumes from November 2021 through March 2022 were
8 fixed relative to changes in NYMEX market pricing. Now that Northern has taken this
9 action, 70 percent of the Company's projected supply volumes from November 2021
10 through March 2022 are fixed relative to changes in NYMEX market pricing. These fixed
11 NYMEX prices are reflected in the updated commodity cost forecast I provide with this
12 Supplemental Prefiled Testimony.

13 **Q. Please provide an update on NYMEX natural gas futures prices since the Initial**
14 **Filing in this proceeding was made.**

15 A. Table 1, below provides monthly comparison of NYMEX natural gas futures settlement
16 prices as of September 14, 2021, which I used for the COG filing, and more recent
17 settlement prices as of September 30, 2021.

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Table 1. NYMEX Natural Gas Futures Settlement Prices				
Month	9/14/2021 (Used for Initial Filing)	9/30/2021	Change (\$ per Dth)	Percent Change
Nov-21	\$ 5.305	\$ 5.867	\$ 0.562	11%
Dec-21	\$ 5.398	\$ 5.991	\$ 0.593	11%
Jan-22	\$ 5.465	\$ 6.073	\$ 0.608	11%
Feb-22	\$ 5.370	\$ 5.951	\$ 0.581	11%
Mar-22	\$ 5.013	\$ 5.517	\$ 0.504	10%
Apr-22	\$ 3.939	\$ 3.996	\$ 0.057	1%
May-22	\$ 3.810	\$ 3.824	\$ 0.014	0%
Jun-22	\$ 3.839	\$ 3.855	\$ 0.016	0%
Jul-22	\$ 3.871	\$ 3.896	\$ 0.025	1%
Aug-22	\$ 3.879	\$ 3.903	\$ 0.024	1%
Sep-22	\$ 3.863	\$ 3.884	\$ 0.021	1%
Oct-22	\$ 3.890	\$ 3.913	\$ 0.023	1%

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As one can see, prices for the November through March timeframe have increased 11 percent since September 14, 2021. Prices for April 2022 through October 2022 have increased approximately 1 percent since August 5, 2021.

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5 **Q. Can you please explain the reasons for this increase in NYMEX natural gas futures**
6 **pricing?**

7 A. Factors that have led to the increase in NYMEX natural gas prices include lower
8 underground storage levels in North America, higher prices for LNG exports caused by
9 higher global LNG demand, and supply disruptions caused by Hurricane Ida.

10 Natural gas prices are now at levels not seen in several years, reflective of a tighter
11 balance between natural gas supply and demand, both in North America and globally.
12 Northern is concerned that any unexpected events, such as colder than normal weather
13 (like Winter Storm Uri last winter, which caused supply disruptions leading to high
14 natural gas prices in the Gulf of Mexico production area), could result in dramatic
15 increases in NYMEX that would result in extremely high and volatile natural gas prices,
16 reflective of scarcity of supply. This is a change from recent years, when Northern was
17 mostly concerned with the scarcity of pipeline capacity into New England and its effect

1 on natural gas volatility. While the Company remains concerned with scarcity of pipeline
2 capacity into New England, current market conditions reflect a very tight balance
3 between natural gas supply and demand in the general market as well.

4 **Q. Please explain why Northern is concerned about this increase in NYMEX natural**
5 **gas futures prices.**

6 A. At the time the Company's COG filing was submitted, about 40 percent of Northern's
7 projected supply volumes from November 2021 through March 2022 was protected from
8 NYMEX prices volatility. Attachment NUI-FXW-20 shows whether each supply is a
9 variable priced supply or a fixed price supply and the monthly volumes for each supply
10 source. Variable priced supplies are exposed to NYMEX prices while fixed price
11 supplies will not be affected by changes in NYMEX prices. Fixed price supplies include
12 Union Dawn and Tennessee Storage inventory volumes and Peaking Contract 2. All
13 other supply sources are based on monthly or daily index prices. The top of Attachment
14 NUI-FXW-20 shows the sum of all variable priced supplies for which there is exposure to
15 high and volatile NYMEX pricing, the sum of all fixed price supplies and the percentage
16 that is fixed relative to NYMEX (which is the percentage of fixed price supplies of the
17 total projected requirement). The Company is concerned with the possibility that
18 volatility in the NYMEX could result in the need for significant mid-Winter Period COG
19 increases, dramatically increasing customer costs when their usage is at its highest.

20 **Q. What has Northern done to mitigate the risk of significant mid-Winter COG**
21 **increases?**

22 A. Northern has worked with two separate suppliers to modify the pricing structure of a
23 portion of its physical supply contracts to fix the NYMEX portion of the commodity price
24 for the November through March period. These supplies include 5,641 Dth per Day of
25 Tennessee Long-Haul, 1,251 Dth of Algonquin Receipts, 5,608 Dth of Iroquois Receipts

1 (totaling 12,500 Dth per Day) from November through March, 2,500 Dth per Day of
2 PNGTS Delivered Baseload and 7,500 Dth per Day of Dawn Hub from December
3 through February. The Company has not changed any of the basis prices to NYMEX¹ of
4 any of its physical supply contracts. Attachment NUI-FXW-21 provides updated
5 calculations of the percent of volumes fixed against NYMEX volatility, reflecting these
6 modifications. After the fixing of NYMEX prices, the percentage of volumes fixed against
7 NYMEX has increased to 70 percent. Attachment NUI-FXW-22 provides a list of the
8 fixed NYMEX priced supplies, including date and time of the transactions, supply source
9 and volume, term, fixed price and prices observed at the time of each transaction.

10 **Q. At this time, does Northern plan to take any actions to address price volatility in**
11 **the future?**

12 A. The Company will review its procurement process and determine what additional
13 measures may be needed for beyond the 2021-2022 Winter Period to protect against
14 volatility and high NYMEX natural gas futures prices.

15 **Q. Will the changes in physical supply prices discussed above be reflected in**
16 **Northern's proposed COG in this proceeding?**

17 A. The Company has determined that the impact of the changes in NYMEX prices and the
18 hedging activity since the Initial Filing that I describe above are not sufficient to warrant a
19 change to the proposed COG rates at this time. As always, the Company will reflect
20 these changes in its monthly COG filing process and make any necessary rate
21 adjustments.

¹ I refer to these as "Adders to NYMEX" in Attachment NUI-FXW-10 of my prefiled testimony.

1 However, the Company does believe that market conditions have changed sufficiently to
2 warrant a change in the proposed Conversion surcharge, applicable to Capacity Exempt
3 customers who would switch to Sales Service provided by the Company. The increase
4 in this surcharge reflects higher prices for New England city-gate supplies than were
5 observed at the time of the Initial Filing in this proceeding. As such, I have provided a
6 REVISED Attachment NUI-FXW-11 (Re-entry and Conversion Rates), reflecting the
7 higher prices observed. While I provide this entire Attachment for continuity purposes,
8 only pages 2 and 3 have been marked as revised, since those affect the Conversion
9 Rate. The Company is not proposing a change to the Re-entry Rate that was proposed
10 in the Initial Filing.

11 **Q. Does this conclude your testimony?**

12 **A. Yes it does.**