Northern Utilities, Inc.
Docket No. DG 21-144
Record Requests

Date Request Received: 09/15/22	Date of Response: 10/05/2022
Request No. Record Request 1	Witness: Christopher Goulding

REQUEST:

a. For 2021, for Rate Class G-52, please estimate the break-up of the revenues into variable and fixed costs, in dollars and percentages.
b. For 2021, please provide the revenue collected through the currently effective Foss Special Contract Rate and the revenue that would have been collected if Foss was on the currently effective G-52 tariff.
c. Calculate the difference in dollar impact between the two rates mentioned in part b.
d. For 2021, provide the fixed cost, in dollars, attributed to Foss.
e. For 2021, how much of the fixed cost attributed to Foss, in dollars, was covered/paid by Foss?
f. Please explain how the fixed costs that Foss avoids because of its Special Contract rate are recovered. If those costs are recovered from delivery customers, please respond whether they are recovered from all delivery customers (Residential, Commercial and Industrial) or only from a specific delivery customer class. If from a specific delivery customer class, please indicate which one.

RESPONSE:

a. The Company's last cost of service study did not identify any variable costs at the FERC account level, therefore 100% of the G-52 rate revenues are fixed.
b. Please refer to Record Request 1 Attachment 1**[CONFIDENTIAL]** for the requested information.
c. Please refer to Record Request 1 Attachment 1**[CONFIDENTIAL]** for the requested information.
d. The Company does not attribute system costs to specific customers. Therefore, the amount of fixed costs attributed to Foss in 2021 is not identifiable.
e. Please see the response to part d above.
f. Foss's Special Contract rates do not avoid any fixed costs. The Contract revenues provided by Foss were above marginal costs of providing service at the time the contract was initiated. Since that time, Foss has been providing additional revenues to the system. The additional revenues were credited to all customer classes in the Company's recent cost of service study.

Date Request Received: 09/15/22 | Date of Response: 10/05/2022
Request No. Record Request-2 | Witness: Christopher Goulding

REQUEST:

Northern has stated that the “scaling factor” adjustment to the marginal costs as implemented in the recent rate case is inappropriate for special contract rates. Please indicate how the removal of the scaling factor impacts the special contract rate. Provide an estimate of the percentage impact.

RESPONSE:

The most recent marginal cost study was above embedded cost by 1% (Docket No. DG 21-104, Revised Schedule RAJT-10). If the Company included the scaling factor for determining a special contract customer’s marginal costs, the marginal cost would be reduced by 1%, thus creating a slightly larger difference between special contract revenues and marginal cost.

Date Request Received: 09/15/22 | Date of Response: 10/05/2022
Request No. Record Request-3 | Witness: Christopher Goulding

REQUEST:

Has Northern considered establishing a tariffed rate for large customers such as Foss based on a minimum usage requirement or another parameter? What would be the impact to Foss's transportation costs in dollars?

RESPONSE:

The costs to serve Foss do not change as a result of establishing a tariffed rate for a customer class that includes Foss.

Northern has contemplated establishing a tariff rate for large customers such as Foss. However, given Foss's and the other special contract customer's unique circumstances and their size relative to the Company's other large customers, the Company does not believe it would be appropriate to create a separate customer class for these two customers. Therefore, the Company has not undertaken a study to determine the parameters of such a new class, or the resulting transportation cost of service for such a class.

The Company's two special contract customers are the Company's two largest customers, and Foss is twice the size of the Company's third largest customer. The disparity in size and load profiles of these customers would not be conducive to a single class of service, and significant intra-class subsidies would likely result. Furthermore, any rate structure that contained a volumetric component for a widely disparate class of customers would exacerbate the intra-class subsidies.

In addition to their size and limited number, the Company's two special contract customers have unique service requirements and options, including the option to bypass the Company's system and terminate their service. Given the foregoing considerations, the Company believes that it continues to be appropriate for these two customers to be served under special contracts.