Foss Mfg. Special Contract

Northern Utilities, Inc. Marginal Cost Estimate template

Redacted

DG 21-144
Northern Utilities, Inc.
Extension of Special Contract with Foss Manufacturing Company
Schedule NU-11 (**Supplemental**)

Escalating Marginal Costs using GDPLEV from Bureau of Economic Analysis data:

1) Go to -> http://www.bea.gov/national/index.htm web page;
2) Click on the link for *Current-Dollar and "Real" Gross Domestic Product;*
3) Update annual "GDP in billions of current dollars" and "GDP in billions of chained 2012 dollars" data in the table below;
4) Forecast years GDP estimates use EIA Energy Outlook projections (Table 20 Macroeconomics Indicators);
   Go to -> http://www.eia.doe.gov/oiaf/aeo/index.html web page;
5) Update prior to start of each contract year.

Adjustment escalators to Marginal Costs

	GDP in billions of current dollars	GDP in billions of chained 2012 dollars	GDP Chain-type Price Index (2012=1.000)	Marginal Cost Study Escalation Factor Calculation
1998	9,062.8	12,038.3	0.7528	
1999	9,630.7	12,610.5	0.7637	
2000	10,252.3	13,131.0	0.7808	
2001	10,581.8	13,262.1	0.7979	
2002	10,936.4	13,493.1	0.8105	
2003	11,458.2	13,879.1	0.8256	
2004	12,213.7	14,406.4	0.8478	
2005	13,036.6	14,912.5	0.8742	
2006	13,814.6	15,338.3	0.9007	
2007	14,451.9	15,626.0	0.9249	
2008	14,712.8	15,604.7	0.9428	
2009	14,448.9	15,208.8	0.9500	
2010	14,992.1	15,598.8	0.9611	
2011	15,542.6	15,840.7	0.9812	
2012	16,197.0	16,197.0	1.0000	
2013	16,784.9	16,495.4	1.0176	
2014	17,527.3	16,912.0	1.0364	
2015	18,238.3	17,432.2	1.0462	
2016	18,745.1	17,730.5	1.0572	
2017	19,543.0	18,144.1	1.0771	
2018	20,611.9	18,687.8	1.1030	
2019	21,433.2	19,091.7	1.1226	
2020	20,893.7	18,384.7	1.1365	1.1365
2021	22,996.1	19,427.3	1.1837	
2022			1.2090	1.1879
Calculation of Escalation Factor ->				1.0453

ANNUALIZED MARGINAL COST ESTIMATE

A	B	C	D DG 21-104 Atrium MCS Revised RAJT-10 Page 2	E Feb 2022	F Notes
1	**Escalation Factor**			1.0453	
2	**Marginal Cost Data**				
3	Customer Charge		$741.49	$775.06	D3 x F1
4	Pressure Support		$0.00	$0.00	D4 x F1
5	Main Reinforcement (per Dth)		$150.57	$157.39	D5 x F1
6	Main Extension (per Dth)		$117.45	$122.77	D6 x F1
7	O&M (per Dth)		$28.28	$29.56	D7 x F1
8					
9					
10	**Customer Data**				
11	Annual Usage (Dth)			[redacted]	
12	Design Day Usage (Dth)				
13					
14	**Marginal Revenue Requirement**				
15	Customer Charge				
16	Pressure Support				
17	Main Reinforcement				
18	Main Extension				
19	O&M				
20	Total				
21					
22	**Marginal Cost Floor - All Components**			[redacted]	
23	Revenue Requirement				
24	Customer Charge				
25	Remaing Revenue				
26	Volumetric Charge				

Notes:

Customer Charge from Schedule Revised RAJT-10, Table - 12, Page 2, Line 53.
Main Reinforcement Cost from Schedule Revised RAJT-10, Table - 12, Page 2, Line 31.
Main Extension Cost from Schedule Revised RAJT-10, Table - 12, Page 2, Line 32 .
O&M Cost from Schedule Revised RAJT-10, Table - 12, Page 2, Line 35.
2019 thru 2022 GDP Chain-type Price Index from EIA Annual Energy Outlook

Northern Utilities, Inc.
Foss Special Contract - Sixth Amendment Marginal Revenue Estimate template

Redacted
DG 21-144
Northern Utilities, Inc.
Extension of Special Contract with Foss Manufacturing Company
Schedule NU-11 **(Supplemental)**

Go to -> http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=CUUR0000SA0&output_view=pct_1mth

Filter formatting options - 12 month, February to February, html format, comma delimited

Consumer Price Index - All Urban Consumers

12-Month Percent Change
Series Id: CUUR0000SA0

Not Seasonally Adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Denotes Confidential Information

CPI Table Paste Area

Year	Feb
2000	169.800
2001	175.800
2002	177.800
2003	183.100
2004	186.200
2005	191.800
2006	198.700
2007	203.499
2008	211.693
2009	212.193
2010	216.741
2011	221.309
2012	227.663
2013	232.166
2014	234.781
2015	234.722
2016	237.111
2017	243.603
2018	248.991
2019	252.776
2020	258.678
2021	263.014
2022	283.716

Inflation Factor Template			Annual Special Contract Rate Adjustment Template						
CPI-U Year	CPI-U, NSA, 12 months, Feb. - Feb.	Inflation Factor	March 1 Contract Rate Year	Monthly Customer Charge	First 200,000 Therms	Delivery Rate 200,001-300,000	Delivery Rate 300,001-400,000	Delivery Rate Over 400,001	Notes
2005	191.800		2005	[redacted]					Actual billed rates
2006	198.700	3.60%	2006	[redacted]					Actual billed rates
2007	203.499	2.42%	2007	[redacted]					Actual billed rates
2008	211.693	4.03%	2008	[redacted]					Actual billed rates
2009	212.193	0.24%	2009	[redacted]					Actual billed rates
2010	216.741	2.14%	2010	[redacted]					Actual billed rates
2011	221.309	2.11%	2011	[redacted]					Actual billed rates
2012	227.663	2.87%	2012	[redacted]					Actual billed rates
2013	232.166	1.98%	2013	[redacted]					Actual billed rates
2004	234.781	1.13%	2014	[redacted]					Actual billed rates
2015	234.722	-0.03%	2015	[redacted]					Actual billed rates
2016	237.111	1.02%	2016	[redacted]					Actual billed rates
2017	243.603	2.74%	2017	[redacted]					Actual billed rates
2018	248.991	2.21%	2018	[redacted]					Actual billed rates
2019	252.776	1.52%	2019	[redacted]					Actual billed rates
2020	258.678	2.33%	2020	[redacted]					Actual billed rates
2021	263.014	1.68%	2021	[redacted]					Actual billed rates
2022*	283.716	7.87%	2022	[redacted]					Actual billed rates

Pursuant to the contract: In no event shall fluctuations in the CPI-U reduce the Special Transportaion Rates or Charges below the then current Special Transportaion Rates and Charges.

2022 ANNUALIZED MARGINAL REVENUE ESTIMATE

USAGE:	OVER 400,000		Customer Charge	1st 200,000	Next 100,000	Next 100,000	Remainder
[redacted]		Mar-22	[redacted]				
		Apr-22					
		May-22					
		Jun-22					
		Jul-22					
		Aug-22					
		Sep-22					
		Oct-22					
		Nov-22					
		Dec-22					
		Jan-23					
		Feb-23					
[redacted]	Total		[redacted]				
		TOTAL:					

Note: USAGE is based on 12-month period March 2021 - Feb. 2022 actual usage

REDACTED VERSION

Foss
Performance Materials

September 7, 2022

Mr. Michael Smith
Manager, Business Services
Unitil Service Corp.
1075 Forest Avenue
Portland, ME 04104

Re: NHPUC Docket No. DG 21-144, Northern Utilities, Inc.
Special Contract with Foss Performance Materials, LLC

Dear Mr. Smith:

On February 23, 2022, the New Hampshire Public Utilities Commission ("PUC" or "Commission") issued an order to commence an adjudicative proceeding for the purposes of reviewing the proposed seventh amendment to the special contract between Northern Utilities, Inc. ("Northern") and Foss Performance Materials, LLC ("Foss") for firm natural gas transportation service, which Northern filed on December 29, 2021. The Commission also extended the underlying special contract to February 28, 2023, and scheduled a prehearing conference for September 13, 2022.

In light of the Commission's decision, and in order to prepare for the prehearing conference, I am providing you an update to my December 20, 2021 letter. That letter, which Northern provided to the PUC as part of its petition for approval of the special contract, discussed in detail Foss' business and the competitive environment in which it operates. As explained below, Foss continues to believe that special circumstances exist that render the special contract just and in the public interest.

In my prior letter, I described the highly competitive global environment in which Foss operates and noted particular cost pressures related to operating in New England. One of the most critical of those cost factors for Foss is the cost of energy, both for natural gas and electricity. Energy costs make up a significant portion of Foss' total operating costs, approximately [redacted], and, as we all are too well aware, prices for natural gas and electricity have spiked considerably in 2022, which has put even greater pressure on Foss and the business decisions that need to be made about jobs and capital investment. With respect to jobs, Foss remains committed, as I mentioned in my previous letter, to increasing its current labor force by [redacted]

As you would expect, Foss is determined to make every reasonable effort to decrease its energy bills. As addressed in my previous letter, Foss has devoted considerable attention to improving the efficiency of its manufacturing infrastructure, including the continued implementation of energy audit recommendations made by Waldron Engineering. Waldron focused its study on three particular aspects, namely, (1) operation of the combined heat and power plant ("CHP Plant"), (2) energy efficiency improvements, and (3) thermal load uncertainty. Foss is actively addressing these aspects by:

(A) [redacted]

(B) [redacted]

(C) [redacted]

Furthermore, Foss continues to pursue appropriate forms of assistance. As I pointed out previously, the Town of Hampton reassessed Foss property for tax valuation purposes yielding savings that will continue through 2024. In addition, Foss has reached out to both the Department of Energy and the Department of Business and Economic Affairs to seek their advice and support. Foss is committed to participating to the fullest extent possible in appropriate forms of assistance that become available.

The discount from tariffed rates represented by the seventh amendment to the special contract materially enhances Foss' ability to retain and create future jobs and correspondingly enhances the economic base in New Hampshire. It is Foss' belief that it has done everything required under the PUC's checklist for economic development and business retention special contracts to merit the Commission's approval.

Accordingly, Foss is hopeful the Commission will approve the seventh amendment to the special contract as filed and for its full term. Furthermore, I look forward to working with both Northern and Unitil to finalize the installation of the second transformer that would achieve our goals of providing full redundancy in case of an energy supply disruption and allowing greater flexibility to react to energy price volatility.

Sincerely,

Dean Landry
Foss Performance Materials
Vice President Operations