

**NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2022/OCTOBER 2023 ANNUAL COST OF GAS
ADJUSTMENT FILING
PREFILED TESTIMONY OF
S. ELENA DEMERIS**

1 **I. INTRODUCTION**

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

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

5
6 **Q. For whom do you work and in what capacity?**

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

15
16 **Q. Please summarize your professional and educational background.**

17 A. In 1996, I graduated from the University of Massachusetts - Lowell with a Bachelor’s of
18 Science Degree in Civil Engineering. In 2005, I earned a Master’s Degree in Business
19 Administration and in 2006 a Master’s Degree in Finance from Southern New Hampshire
20 University. I joined Unitil in July 1998 in the regulatory/rate department.

1 **II. PURPOSE OF TESTIMONY**

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

3 A. The purpose of my testimony is to introduce and describe Northern's (or "the Company")
4 proposed changes to its Local Delivery Adjustment Charges ("LDAC"). Northern is
5 proposing changes to its LDAC for effect November 1, 2022 for the following
6 components: Gas Assistance Program ("GAP"), Environmental Response Cost ("ERC")
7 Rate, Lost Revenue Rate ("LRR"), Rate Case Expense ("RCE"), Reconciliation of
8 Permanent Changes ("RPC") in Distribution Rates, Property Tax Adjustment Mechanism
9 ("PTAM") and Regulatory Assessment Adjustment Mechanism ("RAAM"). Northern is
10 not proposing to change the following LDAC components: Interruptible Transportation
11 Margin (ITM)¹ and Energy Efficiency Charge ("EEC"). The Company will file a
12 proposed January 1, 2023 EEC on December 1, 2022 in accordance with HB 549. My
13 testimony also discusses the impact the proposed cost of gas (COG) and LDAC rate
14 changes have on customer bills during the 2022-2023 Winter and 2023 Summer Seasons.

15
16 **Q. What are the Company's proposed LDAC surcharges?**

17 A. The Company is submitting for approval a proposed LDAC of \$0.1845 per therm for the
18 Residential Class and \$0.0488 per therm for the Commercial/Industrial (C&I) Class
19 effective November 1, 2022 through October 31, 2023. The proposed rates are included
20 on the Ninth Revised Tariff Page 62, superseding the Eighth Revised Tariff Page 62. The

¹ 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.

1 table below summarizes the rate changes proposed in this filing. Residential customers
2 will see an increase of \$0.1034 in LDAC charges, driven primarily by the RPC. C&I
3 customers will see a decrease in LDAC charges of \$0.0011, the C&I specific RPC is
4 offset by PTAM and RAAM decreases.

Charge	Current \$/therm	Proposed \$/therm	Difference
GAP	\$0.0033	\$0.0037	\$0.0004
LRR – Residential	\$0.0066	\$0.0000	(\$0.0066)
ERC	\$0.0056	\$0.0058	\$0.0002
RCE	\$0.0000	\$0.0043	\$0.0043
RPC – Residential	\$0.0000	\$0.1206	\$0.1206
PTAM	\$0.0135	\$0.0000	(\$0.0135)
RAAM	<u>\$0.0027</u>	<u>\$0.0002</u>	<u>(\$0.0025)</u>
Total Difference Residential	\$0.0317	\$0.1346	\$0.1029
Charge	Current \$/therm	Proposed \$/therm	Difference
GAP	\$0.0033	\$0.0037	\$0.0004
LRR – C&I	\$0.0006	\$0.0000	(\$0.0006)
ERC	\$0.0056	\$0.0058	\$0.0002
RCE	\$0.0000	\$0.0043	\$0.0043
RPC – C&I	\$0.0000	\$0.0101	\$0.0101
PTAM	\$0.0135	\$0.0000	(\$0.0135)
RAAM	<u>\$0.0027</u>	<u>\$0.0002</u>	<u>(\$0.0025)</u>
Total Difference C&I	\$0.0257	\$0.0241	(\$0.0016)

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6 **III. DISCUSSION OF RATE CHANGES BY LDAC COMPONENT**

7 **Q. Please describe the purpose of the GAP.**

8 A. The purpose of this rate is to allow the Company to recover revenue discounts associated
9 with customers participating in the Gas Assistance Program (GAP), as well as the
10 associated administrative costs of that program, pursuant to the Commission’s Order in
11 Docket No. DG 05-076. The GAP recovers a 45% discount to both distribution and

1 supply rates, excluding the LDAC, during the winter period only, in accordance with the
2 Commission's Order in Docket DG 20-013, effective November 1, 2020. The GAP rate is
3 charged on all sales and delivery only services billed under the Company's rate
4 schedules.

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6 **Q. Please describe the proposed change to the GAP rate.**

7 A. Northern is proposing to increase the GAP rate from \$0.0033 to \$0.0037 per therm
8 effective November 1, 2022.

9
10 **Q. Could you describe the derivation of the proposed GAP rate?**

11 A. The GAP rate is derived by estimating the Company's Gas Assistance Program costs
12 from November 1, 2022 through October 31, 2023, and the total account ending balance
13 as of October 31, 2022, based on actual data through July, 2022 and estimated data from
14 August 1, 2022 to October 31, 2023. As shown on Attachment NUI-SED-1 GAP, Page 1
15 of 3, Line 12, total estimated costs are \$388,236. Lines 1-7 provide the derivation of the
16 average per customer subsidy.

17 Lastly, the projected October 31, 2022 ending balance of the GAP is an over-collection
18 of \$100,872, as shown on Attachment NUI-SED-1 GAP, Page 2 of 2. The total recovery
19 amount, \$287,364, is shown on Page 1 of 2, line 15, of Attachment NUI-SED-1 GAP,
20 and is divided by estimated weather-normalized firm therm sales billed to customers for
21 the twelve-months ended October 31, 2023 to derive the proposed GAP charge of
22 \$0.0037 per therm shown on Page 1 of 3, line 21.

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

3 A. No, it does not. The thresholds established in Order No. 26,397 are (1) GAP overall
4 program costs exceed one percent of a utility's gross (annual) revenue; and (2) GAP
5 overall program costs exceed one percent of the typical residential heating customer's
6 total annual bill. (1) Projected gross revenue, based on the November 2021 – October
7 2022 \$/therm times the November 2022 – October 2023 therm sales forecast of
8 77,881,226 results in an estimated gross revenue of \$85,264,366. GAP projected program
9 subsidies represent 0.45% of the estimated gross revenue. (2) As shown on Attachment
10 NUI-SED-3, Page 1 of 10, the typical residential heating customer's annual bill for the
11 November 2022 – October 2023 period is \$1,798.03. Of that amount \$2.61 or 0.15% is
12 attributable to the GAP.

13
14 **Q. Please explain the purpose of the LRR?**

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

19
20 **Q. What changes are being proposed to the LRR?**

21 A. The Company is proposing a rate of \$0.0000 for all classes effective November 1, 2022.
22 In its Distribution Rate Case, DG 21-104 the Commission approved Northern's revenue

1 decoupling mechanism. Therefore, lost revenue ceased to accrue in July 2022 with a
2 nominal remaining balance. In the 2022 Annual Report filing on June 1, 2023 the
3 Company will reconcile 2022 lost revenue with actual plan savings and propose a method
4 as part of next year's LDAC filing to either credit or recover the ending LRR balance to
5 customers.

6
7 **Q. Please explain the purpose of Northern's ERC.**

8 **A.** The purpose of the ERC is to recover expenditures associated with remediation of former
9 manufactured gas plants. The ERC is applied to all gas sales and delivery service billed
10 under the Company's sales and delivery service rate schedules. The costs submitted for
11 recovery through the ERC recovery mechanism are presented in the ERC Filing
12 submitted in this docket under separate cover. The environmental investigation and
13 remediation costs that underlie these expenses are the result of efforts by the Company to
14 respond to its legal obligations at a site located in Rochester, New Hampshire. In total,
15 the Company has incurred environmental remediation costs of \$48,434 from July 2021
16 through June 2022. A summary sheet and detailed backup spreadsheets supporting 2021-
17 2022 costs are provided in the ERC Filing.

18
19 **Q. Please describe the change to Northern's ERC rate that is proposed for effect**
20 **November 1, 2022.**

21 **A.** The current ERC rate is \$0.0056 per therm. Northern proposes to increase this rate to
22 \$0.0058 per therm.

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

A. As stated above, during the period July 1, 2021 through June 30, 2022, ERC expenses totaled \$48,434. 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 (\$48,434 divided by 7, or \$6,919) 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, \$423,485, 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 2021 – June 2022	\$6,919
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
Total	\$423,485

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In addition, the ERC rate includes the prior period reconciliation of ERC costs. The October 31, 2022 ending balance is estimated to be an under collection of \$27,275, as

1 shown on Attachment NUI-SED-1 ERC Page 2 of 2. Total ERC costs to be recovered for
2 the period of November 2022 through October 2023 are \$450,760. Dividing the
3 recoverable ERC costs by projected total annual sales of 77,881,226 therms results in an
4 ERC rate of \$0.0058 per therm. This calculation is illustrated in Attachment NUI-SED-2
5 ERC, Page 1 of 2.

6
7 **Q. Please explain the purpose of the RCE?**

8 **A.** The purpose of this provision is to establish a procedure that allows Northern Utilities to
9 adjust its rates for the recovery of NHPUC-approved rate case expenses. These expenses
10 will be recovered over a 12-month period, November 2022 – October 2023.

11
12 **Q. Please explain the calculation of the proposed RCE rate.**

13 **A.** Attachment NUI-SED-1 RCE provides the calculation of the RCE. Today, under separate
14 cover in Docket No. DG 21-104, the Company is submitting supporting schedules for its
15 rate case expenses. Attachment NUI-SED-1 RCE, line 1, reflects the total rate case
16 expenses as of the date of filing. That amount, divided by forecasted sales for the
17 November 2022 – October 2023 period, results in a per therm RCE of \$0.0043.

18
19 **Q. Please explain the purpose of the RPC?**

20 **A.** The purpose of this provision is to establish a procedure that allows Northern Utilities to
21 adjust its rates for the reconciliation of revenues related to a permanent change in the
22 Company's distribution service rates implemented subsequent to the effective date of

1 such change. This provision includes the reconciliation for the difference in revenues
2 charged under temporary versus permanent rates. The RPC will be recovered over a 12-
3 month period, November 2022 – October 2023, per the Settlement Agreement approved
4 in DG 21-104.

5
6 **Q. Please explain the calculation of the proposed RPC rate.**

7 **A.** Attachment NUI-SED-1 RPC provides the derivation of the revenue shortfall associated
8 with the change in distribution rates over the October 2021 through July 2022 period.
9 Because customer bills typically reflect usage which occurred in the previous month,
10 October 2021 and July 2022 monthly data has been adjusted to reflect October 2021 and
11 July 2022 usage. Lines 3 through 25 provide the actual billing determinants for the Oct
12 2021 through July 2022 period. Lines 31 – 50 provide the approved distribution rates.
13 Lines 53 – 88 calculate the revenue at permanent rates. Lines 92 – 101 provide the actual
14 revenue collected for the period. Lines 104 – 115 is the difference between the permanent
15 revenues and actual revenue. The resulting amounts shown in lines 107 and 114 provide
16 the basis for the RPC for the Residential and C&I classes, respectively. As approved in
17 the Settlement Agreement a separate uniform rate per therm for the Residential and C&I
18 classes, respectively, has been calculated. This calculation is shown on lines 116 and 117.
19 As shown on Page 2, lines 116 and 117 the proposed Residential RPC is \$0.1206 per
20 therm and the proposed C&I RPC is \$0.0101 per therm.

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Q. Please explain the purpose of the PTAM?

A. The purpose of this provision is to establish a procedure that allows Northern Utilities to recover the increase in local property tax expense associated with HB 700 and RSA 72:8-d and -e. Please see the Testimony and Schedules of Daniel Nawazelski for a detailed analysis of the property tax proposed for recovery in the PTAM effective November 1, 2022.

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

A. Attachment NUI-SED-1 PTAM provides the calculation of the PTAM for effect November 1, 2022. Page 1 provides the calculation of the proposed rate. The property tax for the period, as shown in Schedule DTN-1, plus the prior period over/under collection, is offset by Excess Accumulated Deferred Income Tax resulting in a proposed recovery of \$0. Therefore, the PTAM rate proposed for November 1, 2022 is \$0.0000 per therm. Page 2 provides a reconciliation of the prior period and support for the ending balance shown on Page 1, line 2.

Q. Please explain the purpose of the RAAM?

A. The purpose of the RAAM is to establish a procedure that allows Northern to recover changes in the annual PUC Regulatory Assessment.

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Q. What changes are being proposed to the RAAM?

A. The current RAAM is \$0.0027. Northern is proposing a RAAM of \$0.00002 effective November 1, 2022, a decrease of \$0.0025 based on a Non-Distribution Regulatory Assessment of \$0 and 2020 Covid-19 Expense of \$68,061, per DG 21-104 Order No. 26-250 dated July 20,2022, and a prior period over-collection of \$49,848.

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

A. See Attachment NUI-SED-1 RAAM. Page 1 of 4 provides the calculation of the proposed rate. As shown on line 4, total recoverable expense is \$18,213, divided by the forecasted sales over the November 1, 2022 through October 31, 2023, 77,881,226, results in a rate of \$0.0002. Page 2 of 4 provides a reconciliation of the current period and support for the prior period ending balance, Page 1, line 3. Page 3 provides a forecast reconciliation of the upcoming rate period. Page 4 provides support for the Non-Distribution portion of the Regulatory Assessment. In the November 1, 2022 – October 31, 2023 period the Non-Distribution portion of the Regulatory Assessment is \$0.

Q. Have you prepared typical bill analyses showing the impacts of the proposed COG and LDAC rate changes for effect on November 1, 2022 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 582 therms during the 2022/2023 Winter Season

1 can expect a bill of \$1,441.68. This is an increase of \$260.42, or 22.0% compared to the
2 2021/2022 Winter Season bill with the same consumption.

3

4 **Q. Have you prepared typical bill analyses showing the impacts of the proposed COG**
5 **and LDAC for effect on May 1, 2023 for typical Residential heating gas customers**
6 **over the next Summer Season?**

7 A. Yes, Attachment NUI-SED-3, page 6 provides this analysis. It shows that a typical
8 residential heating customer consuming 124 therms during the 2023 Summer Season can
9 expect a bill of \$356.34. This is an increase of \$8.87, or 2.55% compared to the 2022
10 Summer Season bill with the same consumption.

11

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

13 A. Yes, it does.