

Northern Utilities, Inc.
DG 22-059
Winter 2022-2023 and Summer 2023 Cost of Gas
Record Request Set 1

Date Request Received: 10/20/22

Date of Response: 10/24/22

Question:

If the Local Delivery Adjustment Clause (“LDAC”) and Cost of Gas (“COG”) dockets are placed into separate dockets by the Commission what is the Company’s perspective on how this can be done in the most effective manner?

Response:

For the reasons explained below, the Company believes that the Commission should not separate the COG and LDAC into separate dockets. However, if the Commission decides to separate the LDAC and COG dockets, the Company proposes to make the filings on the same date as they are made currently and that the procedural schedules between the two dockets should coincide on the same day. For example, discovery, technical sessions, and hearings would occur on the same day so that there is more transparency of the total bill impact effective on November 1.

Notwithstanding the above, the Company reiterates its belief that keeping the LDAC and COG filing in the same docket makes the most sense. See Hearing Exhibit 11 (Company response to DOE 1-9). This is due in part to administrative efficiencies and total bill impact clarity, but beyond that there are other procedural considerations.

First, there are components of the LDAC like the Gas Assistance Program (“GAP”) rate that rely on the proposed COG rate for forecasting the GAP cost to be recovered. Next, the Company’s LDAC filings have historically had limited issues and questioning by all involved parties. Although the LDAC has nine components the Company would like to mention the following:

- GAP – The proposed COG rate is used to calculate the costs for the winter period, therefore, the most accurate forecast of costs cannot be made until the COG Filing.
- Energy Efficiency Charge (“EEC”) – This rate component is reviewed and audited by the Department of Energy and its Audit Staff and will be filed under a separate docket. Currently the EEC is as established by HB 549 with annual increases to the base rate filed December 1 and effective January 1. The annual increase is the 3-yr average CPI plus 25 basis points.
- Lost Revenue Rate (“LRR”) – With the implementation of decoupling the Company’s LRR has gone to zero for the foreseeable future.

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- Environmental Response Cost (“ERC”) – Supporting documentation is filed with the PUC under separate cover and is audited by the Department of Energy and its Audit Staff. The COG/LDAC Filing provides a reconciliation of the prior period and a rate calculation for rates effective November 1.
- Interruptible Transportation Margin Credit (“ITMC”) – This rate component is zero. The Company does not currently, and has not for many years, had any customers taking Interruptible Service.
- Rate Case Expense (“RCE”) – This rate component is reviewed and audited by the Department of Energy and its Audit Staff. This component is not filed annually and only is in effect after the conclusion of base rate cases, generally for a 12-month period only.
- Reconciliation of Permanent Changes in Delivery Rates (“RPC”) – This rate component is reviewed and audited by the Department of Energy and its Audit Staff. This component is not filed annually and only is in effect after the conclusion of base rate cases, generally for a 12-month period only.
- Property Tax Adjustment Mechanism (“PTAM”) – This rate component is reviewed and audited by the Department of Energy and its Audit Staff.
- Regulatory Assessment Adjustment Mechanism (“RAAM”) – This rate component is reviewed and audited by the Department of Energy and its Audit Staff. In addition the inputs to the rate are based off a very limited amount of invoices.

Finally, the Company’s Revenue Decoupling Adjustment Factor (“RDAF”) is not an LDAC component and will be filed in a separate docket. This is different from Liberty Utilities as their RDAF is a component of their LDAC. The Company’s understanding of why this is the case is that Liberty Utilities has a single RDAF across all rate classes while the Company has separate RDAFs for its applicable Rate Class Groups per its Revenue Decoupling Adjustment Clause tariff.

Person Responsible: Daniel Nawazelski

Date: 10/24/22