

**STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DG 23-085
Northern Utilities Inc.

**Petition for Approval of 2023-2024 Winter and 2024 Summer Cost of Gas
[COG Supply and LDAC]**

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Department of Energy, Division of Regulatory Support
October 20, 2023

The New Hampshire Department of Energy (“DOE” or the “Department”) submits this technical statement in compliance with the Public Utilities Commission’s (“PUC” or the “Commission”) Commencement of Adjudicative Proceeding and Notice of Hearing dated October 4, 2023 in Docket No. DG 23-085. The purpose of this statement is to provide the Commission with required information and a framework for understanding DOE’s position in advance of the Cost of Gas hearing scheduled for October 26, 2023 at 1:00 p.m. to review Northern’s proposed Cost of Gas (COG) and Local Distribution Adjustment Clause (LDAC).

As explained below, after review and analysis, the DOE recommends that the Commission review and approve Northern’s proposed Winter 2023/2024 rates to be effective November 1, 2023 (including contingent revenue decoupling adjustment recovery) and Summer 2024 rates to be effective May 1, 2024, (including contingent revenue decoupling adjustment recovery) in this instant docket.

In the opinion of the Department, for greater accuracy, recency, and to benefit from the Department’s Final Audit of Northern’s Summer 2023 Reconciliation, it would be useful were Northern to make an updated filing in March 2023, commenting on its forecasted rates, for Department’s comment and potentially a Commission hearing, if required.

Background

Northern Utilities, Inc. (“Northern” or “the Company”) filed its petition on September 15, 2023. Northern’s petition for Winter and Summer rates includes both the proposed COG, the proposed LDAC, and for the first time a contingent Revenue Decoupling Adjustment Factor (RDAF). The Department issued one set of Data Requests (DRs) on October 2, 2023. The responses to the DRs were received on October 12, 2023. See Attachment 1 (Northern Responses to DOE DR Set 1, 1-1 through 1-12 excluding attachments other than Northern’s Attachment 1-5.1). A technical session was held on October 13, 2023.

The Department’s analysis takes all received information into account and makes every effort to be as exhaustive as possible given the challenging and expedited timeline. The Department’s position is subject to the DOE Final Audit Reports for both Northern’s Winter 2022-2023 Reconciliation, its Summer 2023 Reconciliation, and Reconciliation of LDAC components from 2022-2023. The Final Audit for the

Winter period is in process but has not been completed. The Final Audit for the Summer period will not begin until well after the Summer 2023 period concludes.

In the context of Northern's current 2023/2024 COG filing, the DOE Gas Division reviewed the available 2021-2022 Winter Cost of Gas Reconciliation Final Audit Report. See Attachment 2. The Department could reasonably tie all relevant over/under-collection figures as they are reported in the Audit Report and the current filing. The DOE also reviewed Northern's LDAC Reconciliation Final Audit Report from 2021/2022 COG Season. See Attachment 3. The figures reflecting beginning balances for various LDAC components in the Audit Report appear to be in sync with the commensurate figures in the current submission. No concerns are raised at the present time. In this context, however, the Department reserves the right to inform any further observations to the Commission upon completion of the 2022/2023 COG and LDAC Audit Reports.

Filing Facts and DOE Analysis

1. Therm Sales Projection

- The Company's projected total sales over Winter 2023/2024 (i.e., November 1, 2023 to April 30, 2024) period is 32,992,252 therms, of which 16,200,606 (or 49.1%) is for residential, and 16,791,646 (or 50.9%) is for C&I sector. When compared to the last year's filing for projected Winter 2022/2023 sales, DOE notes that the total projected sales were 35,507,405. That is, this year the projected therm sales are down by 2,515,153 therms for the Winter period.
- The projected total sales over Summer 2024 (i.e., May 1, 2024 to October 31, 2024) period for Northern is 7,054,322 therms, of which 2,706,958 (or 38.4%) is for residential, and 4,347,365 (or 61.6%) is for C&I sector. When compared to the last year's filing for projected Summer 2023 sales, the Department notes that the commensurate total sales figure was 8,625,565. That is, this year's projected therm sales are down by 1,571,243 therms for the Summer period.
- Overall, for the COG season, including both the Winter and Summer Periods, the 2023/2024 the total projected therm sales is 40,046,575 therms with a sectoral split of 18,907,563 (or 47.2%) for residential and 21,139,011 (or 52.8%) therms for C&I customers. The overall seasonal projected therm sales is down by 4,086,395 therms (or 9.3%) as compared to the last season 2022/2023.

2. COG (Supply) Rates

2.1 Proposed Winter COG Rates

- As filed by Northern, the proposed Winter 2023/2024 rates are as follows¹:

¹ The Department looked through the calculations for proposed COG rates as presented and generally concurs to the calculation methodologies used to devise the proposed rates.

Table 1: COG Rates for Winter 2023/2024

Beginning Period (per therm rate)	(A) Rates: Winter 2023/2024	Maximum Rates: Winter 2023/2024
Residential (Heating and Non-Heating)	\$0.7282	\$0.9103
C&I - LLF (High Winter Use)	\$0.7402	\$0.9253
C&I - HLF (Low Winter Use)	\$0.6587	\$0.8234

Table 2: COG Rates for Winter 2022/2023 & Percentage Change

Sector	(B) Rates: Effective April 1- 30, 2023	% change between current proposed COG rate (A) & last approved Winter COG rate (B)
Residential	\$0.6902	5.5%
C&I - LLF (High Winter Use)	\$0.7041	5.1%
C&I - HLF (Low Winter Use)	\$0.6149	7.1%

• As indicated in Table 2, the Department notes that the proposed residential Winter COG rate this COG Season 2023/2024 is 5.5% higher than the last approved Winter 2022/2023 rates as was effective in April 2023. When compared among commensurate figures for C&I - LLF and C&I - HLF, proposed 2023/2024 rates are higher by 5.1% and 7.1% respectively. By and large, the observed increase in the proposed rates appears to be reflective of future gas market prices between April 2023 and now.

2.2 Proposed Summer COG Rates

• The proposed Summer 2024) rates are as follows:

Table 3: COG Rates for Summer 2024

Beginning Period (per therm rate)	(C) Rates: Summer 2024	Maximum Rates: Summer 2024
Residential (Heating and Non-Heating)	\$0.5117	\$0.6396
C&I - LLF (High Winter Use)	\$0.5622	\$0.7028
C&I - HLF (Low Winter Use)	\$0.4443	\$0.5554

Table 4: COG Rates for Summer 2023 & Percentage Change

Sector	(D) Rates: Effective October 1-31, 2023	% change between current proposed COG rate (C) & last approved Winter COG rate (D)
Residential	\$0.3708	38.0%
C&I - LLF (High Winter Use)	\$0.4175	34.7%
C&I - HLF (Low Winter Use)	\$0.3123	42.3%

• As indicated in Table 4, DOE observes that the proposed residential Summer 2024 COG rates this 2023/2024 Season is 38.0% higher than the last approved Summer 2023 rates as was effective in October 2023. When compared among similar figures for C&I - LLF and C&I - HLF, proposed Summer 2024 rates are higher by 34.7% and 42.3% respectively. The observed increase in the proposed could be

motivated by a number of factors that includes among others the change in the future gas market prices, the projected therm sales.

2.3 Proposed LDAC Rates

- The proposed COG Season 2023/2024 (i.e., November 2023 to October 2024) LDAC rates are as follows²:

Table 5: LDAC Rates

Beginning Period (per therm rate)	Rates: COG Season 2023/2024	Rates: COG Season 2022/2023 ³	% change between 2022/23 & 2023/24
Residential (Heating and Non-Heating)	\$0.0883	\$0.1871	-52.8%
C&I (Small, Medium, Large)	\$0.0362	\$0.0503	-28.0%

- As provided in Table 5, the LDAC portion of the proposed rates (as compared to the rates approved in COG Season 2022/2023) went down by 52.8% this year for residential customers and by 28.0% for the C&I customers.

2.4 Proposed Overall Rates Comparison

Table 6: Overall Winter and Summer Rate Comparison

Sector	Winter			Summer		
	Proposed Rates: 2023/24	Last Effective Rates ⁴ : 2022/23	% change	Proposed Rates: 2023/24	Last Effective Rates ⁵ : 2022/23	% change
Residential	\$0.8165	\$0.8773	-6.9%	\$0.6000	\$0.5579	7.5%
C&I - LLF (High Winter Use)	\$0.7764	\$0.7544	2.9%	\$0.5984	\$0.4678	27.9%
C&I - HLF (Low Winter Use)	\$0.6949	\$0.6652	4.5%	\$0.4805	\$0.3626	32.5%

- As provided in Table 6, the Department observes that the proposed residential rate is going down in Winter 2023/24 by 6.9%, while rising in Summer 2024 by 7.5%. When noted for C&I - LLF, both proposed Winter and Summer rates are going up by 2.9% and 27.9% respectively. The commensurate figures for C&I - HLF appear also to be rising in Winter and Summer by 4.5% and 32.5% respectively.

3. Bill Impacts

² The Department reviewed the calculations for proposed COG rates as presented and generally concurs to the calculation methodologies used to devise the proposed rates.

³ This LDAC rate was effective as of January 1, 2023, which reflects updated Energy Efficiency Charge (EEC) for CY 2023 per HB549 (codified in RSA 374:F-3, VI-a, (d)).

⁴ For Winter period, as of April 2023.

⁵ For Summer period, as of October 2023.

Table 7: Winter and Summer Bill Impacts

Rate Class	Winter				Summer			
	Therm Use	Total Bill: 2023/24	\$ Change (as compared to 2022/23)	% change	Therm Use	Total Bill: 2023/24	\$ Change (as compared to 2022/23)	% change
R-5 (Residential-Heating)	488	\$1,164.22	- \$159.91	- 13.7%	111	\$297.95	\$16.52	5.5%
R-6 (Residential Non-Heating)	120	\$445.94	- \$38.59	- 8.7%	58	\$247.22	\$7.73	3.1%
G-40 C&I – Low Annual/High Winter Use	1,527	\$2,449.24	- \$418.05	- 16.7%	256	\$665.15	\$33.60	5.1%
G-41 C&I – Medium Annual/High Winter Use	15,661	\$22,564.73	- \$4,278.89	- 19.0%	3,837	\$4,251.15	\$503.79	11.9%
G-42 C&I – High Annual/High Winter Use	119,420	\$163,096.57	- \$34,202.87	- 21.0%	42,188	\$37,047.04	\$5,537.51	15.0%
G-50 C&I – Low Annual/Low Winter Use	1,119	\$1,834.23	- \$327.24	- 17.8%	940	\$1,041.71	\$106.36	10.2%
G-51 C&I – Medium Annual/Low Winter Use	10,715	\$13,694.12	- \$3,129.38	- 23.0%	7,479	\$5,383.09	\$851.46	15.8%
G-52 C&I – High Annual/Low Winter Use	277,772	\$329,202.63	- \$81,441.31	- 24.7%	232,746	\$117,978.37	\$26,557.51	22.5%

- As provided in Table 7, the typical bill impact over Winter 2023/2024 is a reduction, while it appears to be going up in Summer 2024 period.

- The bill impacts for C&I customers appear to be generally negative (that is, bills are projected to be going down for typical customers) in Winter 2023/2024 despite the rates rising over the same period (see Table 6). While this may seem anomalous, it is important to note that the rate comparison in Table 6 was performed between the proposed rates for Winter 2023/2024 as compared to the *most recent* Winter 2022/2023 rates (from April 2023). The bill comparisons, on the other hand, were performed using actual effective rates with average therm consumption over the appropriate period (i.e., Winter 2022/2023 and Summer 2023) for the relevant rate classes.

RDAF Recovery (contingent)

The Department notes that the RDAF recovery proposed by Northern in this docket is contingent upon the final hearing to be held in Docket No. DG 23-086. See Dkt. No. DG 23-086 Procedural Order Re Company, OCA, and DOE Motions and Canceling Oct 23 Hearing (Oct 13, 2023) (“Commission expects to issue an Order nisi granting Northern’s requested PEAD RDAF rates, in advance of, and for implementation by, November 1, 2023 subject to future reconciliation based on the parties’ and Commission’s review, with hearing anticipated in early January 2024”); Dkt. No. DG 21-104, Order No. 26,650 (July 20, 2022) at 6 (In the Company’s next distribution rate case, parties to that proceeding may propose specific treatment of any carried balances remaining at that time).

COG Over/Under Collection Calculation

- For the 2023/2024 COG season, the Company identified a prior period over-collection of \$1,201,907. This included a prior winter period over-collection \$1,453,183 and a summer period under-collection of \$251,276.

- The Company uses a 2% threshold for Winter months and a 4% threshold for Summer months to initiate a trigger filing. That is, in any given period (i.e., summer or winter), if the variance between the estimated end of period balance and targeted end of period balance is beyond the threshold percentage, the Company submits a trigger filing proposing a rate change. This adjustment mechanism is instituted to keep the over/under-collection within a reasonable bound and to avoid an unwanted price shock to the customer. The adjustment mechanism so practiced by the Company seems to be working effectively.

COG Components

- Over November 2023 to April 2024 period, total projected adjusted direct and indirect supply Cost of Gas (“COG”) sendout is \$24,024,915. The composition of this total projected cost is as follows:

Table 8: Winter 2023/2024 COG Components

Category	Amount (\$) ⁶	% of Adjusted Total Winter Cost
Prior Period (Over)/Under-Collection	(\$1,453,183)	-6.0%
Commodity Cost	\$17,312,467	72.1%
Demand Charges	\$17,551,242	73.1%
Asset Management Credits	(\$10,298,558)	-42.9%
Indirect Cost ⁷	\$929,308	3.9%
Other Costs ⁸	(\$16,361)	-0.1%
Adjusted Total Winter Cost	\$24,024,915	100.0%

- Over May 2024 to October 2024 period, total projected adjusted direct and indirect supply Cost of Gas (“COG”) sendout is \$15,506,433. The composition of this total projected cost is as follows:

Table 9: Summer 2024 COG Components

Category	Amount (\$) ⁶	% of Adjusted Total Summer Cost
Prior Period (Over)/Under-Collection	\$251,276	7.0%
Commodity Cost	\$1,770,654	49.0%
Demand Charges	\$1,449,961	40.2%
Asset Management Credits	-	0.0%
Indirect Cost	\$138,388	3.8%
Other Costs	-	0.0%
Adjusted Total Summer Cost	\$3,610,279	100.0%

⁶ Any figure in parenthesis indicates a negative cost.

⁷ Indirect costs include: Working Capital Allowance \$53,233; Bad Debt Allowance \$157,446; Local Production and Storage Capacity Cost \$214,538; and Miscellaneous Overhead Cost \$504,091.

⁸ Other costs include: Inventory Finance Charge \$8,639; and Re-entry Rate & Conversion Rate Revenues \$(25,000).

Table 10: COG Components for 2023/2024 Season

Category	Amount (\$)	% of Adjusted Total Cost
Prior Period (Over)/Under-Collection	(\$1,201,908)	-4.3%
Commodity Cost	\$19,083,121	69.1%
Demand Charges	\$19,001,203	68.8%
Asset Management Credits	(\$10,298,558)	-37.3%
Indirect Cost	\$1,067,693	3.9%
Other Costs	(\$16,361)	-0.1%
Adjusted Total Cost	\$27,635,193	100.0%

DOE Recommendations

In light of the current Winter 2023/2024 and Summer 2024 COG Season submission, the foregone DOE analysis, and subject to 2022-2023 Audit Reports, the Department recommends that:

- The Commission review and approve Winter 2023/2024 rates to be effective November 1, 2023;
- The Commission review and approve Summer 2024 rates to be effective May 1, 2024; and
- The Commission direct the Company to submit an updated Summer 2024 COG filing at the end of March 2024 for DOE review, Commission review, and a hearing, if necessary.