

**Docket No. DG 23-\_\_\_\_**

**NORTHERN UTILITIES, INC.  
NEW HAMPSHIRE DIVISION  
REQUEST FOR APPROVAL OF  
EMPRESS CAPACITY AGREEMENTS**

**PREFILED TESTIMONY OF  
FRANCIS X. WELLS**

1    **I.       INTRODUCTION**

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

3    A.       My name is Francis X. Wells. My business address is 6 Liberty Lane West, Hampton,  
4               NH.

5    **Q.       What is your relationship with Northern Utilities, Inc.?**

6    A.       I am employed by Unitil Service Corp. (the “Service Company”) as Manager of Energy  
7               Planning. The Service Company provides professional services to Northern Utilities, Inc.  
8               (“Northern” or the “Company”).

9    **Q.       Please briefly describe your educational and business experience.**

10   A.       I earned my Bachelor of Arts Degree in both Economics and History from the  
11               University of Maine in 1995. I joined the Service Company in September 1996 and  
12               have worked primarily in the Energy Contracts department. My primary  
13               responsibilities involve gas supply planning and acquisition.

14   **Q.       Have you previously testified before the New Hampshire Public Utilities**  
15   **Commission (“Commission”)?**

1 A. Yes. I have testified as Northern's gas supply witness before the Commission in  
2 Northern's Cost of Gas ("COG") proceedings.

3 **Q. Please summarize the purpose of your testimony in this proceeding.**

4 A. The purpose of my testimony is to present and support Northern's request for approval of  
5 agreements with Portland Natural Gas Transmission System ("PNGTS") and  
6 TransCanada Pipelines Limited ("TransCanada" or "TCPL") for a firm natural gas  
7 pipeline transportation path from Empress, Alberta to Granite State Gas Transmission,  
8 Inc. ("Granite") interconnects (the full capacity path is referred to herein as "Empress  
9 Capacity"; the agreements are collectively referred to as the "Empress Capacity  
10 Agreements" or the "Agreements"). The Empress Capacity Agreements will provide  
11 Northern the ability to transport 12,500 Dth/day of natural gas from Empress to Granite  
12 for a 30-year initial term, and will provide access to relatively low-cost supply, while  
13 reducing Northern's peaking supply requirements. The Empress Capacity is anticipated  
14 to commence on April 1, 2024. This capacity was acquired via open seasons on  
15 TransCanada and PNGTS pipelines.

16 In support of its request for approval of the Empress Capacity Agreements, Northern has  
17 prepared an Empress Capacity Resource Assessment, provided herewith as Exhibit  
18 Unitil-FWX-2. The Empress Capacity Resource Assessment describes the Empress  
19 Capacity Agreements in detail, and further includes a regional market overview; an  
20 overview of Northern's current portfolio; an overview of Northern's demand forecast, its  
21 design planning standards, and the balance between Northern's current portfolio of  
22 resources with its design day and design year requirements; an overview of potential

1 incremental resources; a qualitative assessment of the Empress Capacity; and a  
2 quantitative assessment of the Empress Capacity.

3 The Empress Capacity Resource Assessment (Exhibit Unitil-FXW-2) also includes the  
4 following attachments: Attachment 1 (PNGTS Open Season); Attachment 2 (PNGTS  
5 Firm Transportation Contract); Attachment 3 (TCPL Open Season); Attachment 4 (TCPL  
6 2024 Precedent Agreement); Attachment 5 (TCPL 2024 Firm Transportation Contract);  
7 Attachment 6 (TCPL 2027 Precedent Agreement); Attachment 7 (TCPL 2027 Precedent  
8 Agreement Exposure Profile); Attachment 8 (Northern Capacity Paths); and Attachment  
9 9 (Modeled Cost Analysis).

10 **Q. Please explain why Northern has secured the new Empress Capacity.**

11 A. Northern has a significant unmet peaking supply need, on both a peak day and seasonal  
12 basis. The proposed new capacity will reduce Northern's 2024-2025 peak day  
13 requirements not met with long-term capacity from 47,431 Dth to 34,975 Dth and reduce  
14 Northern's 2024-2025 seasonal peaking supply needs not met with long-term capacity  
15 from 672,537 Dth to 302,037 Dth.

16 As the Company first explained in its 2023 Integrated Resource Plan, the regional gas  
17 supply market continues to be heavily reliant upon LNG imports during periods of high  
18 demand combined with uncertainty related to the future availability of LNG import  
19 facilities. The acquisition of the Empress Capacity is intended to reduce Northern's  
20 reliance on imported LNG. Northern is concerned with the current and future availability  
21 and pricing of imported LNG into New England. When New England natural gas demand  
22 exceeds the capacity of the pipeline system connecting New England to North American

1 supplies, supply must be supplemented by imported LNG to meet all demand. New  
2 England as a whole, including Northern, is reliant upon imported LNG to reliably meet  
3 demand for natural gas during periods of cold weather. Therefore, peaking supply  
4 contracts are sourced on imported LNG.

5 Notwithstanding their respective importance to the region for energy supply reliability,  
6 the operators of the major LNG importers into the New England energy market have  
7 uncertain futures. This is discussed in greater detail in the Empress Capacity Resource  
8 Assessment.

9 **Q. Please provide a summary description of the PNGTS Agreement.**

10 A. Northern acquired the PNGTS portion of the Empress Capacity through an open season  
11 issued by PNGTS on June 6, 2023. A copy of the PNGTS Open Season is provided as  
12 Attachment 1 to Exhibit Unitil-FXW-2. PNGTS offered approximately 59,000 Dth of  
13 additional capacity to be available as soon as November 1, 2023. The firm transportation  
14 offered was for service from Pittsburg, New Hampshire, the location where PNGTS  
15 receives gas onto its system from TransCanada, to either the interconnection between  
16 PNGTS and Maritimes in Westbrook, Maine or delivery points on the PNGTS system  
17 from Westbrook, Maine to Dracut, Massachusetts (including the interconnections  
18 between PNGTS and the Granite State Gas Transmission, Inc. (“Granite”) pipeline.  
19 Northern accesses PNGTS via the Granite pipeline.

20 Bidders in the PNGTS Open Season were required to bid a minimum rate of \$0.82 per  
21 Dth per day for firm transportation service from Pittsburg, New Hampshire to the Granite  
22 pipeline, with a minimum term of 15 years. Due to the limited amount of capacity

1 available and the scarcity of available incremental supply options in New England,  
2 Northern decided to request service for longer than the 15-year minimum term. The  
3 Company bid the minimum rate of \$0.82 per Dth per day for a term equal to 30 years  
4 beginning April 1, 2024 for 12,500 Dth of capacity from Pittsburg, New Hampshire to  
5 Dracut, Massachusetts. This bid was accepted by PNGTS, resulting in a Firm  
6 Transportation Agreement between PNGTS and Northern, which is provided as  
7 Attachment 2 to Exhibit Unitil-FXW-2. Northern has the option to terminate the Firm  
8 Transportation Agreement without penalty if it does not obtain acceptable regulatory  
9 approvals from the New Hampshire Public Utilities Commission and the Maine Public  
10 Utilities Commission. Northern must exercise this option by February 1, 2024.

11 The PNGTS Open Season and Firm Transportation Agreement are described more fully  
12 in Exhibit Unitil-FXW-2, the Empress Capacity Resource Assessment.

13 **Q. Please provide a summary description of the TCPL Agreements.**

14 A. Northern acquired the TCPL portion of the Empress Capacity through an open season  
15 issued on May 17, 2023. A copy of the TCPL Open Season is provided as Attachment 3  
16 to Exhibit Unitil-FWX-2. TCPL offered up to 59,807 Dth of delivery capacity to East  
17 Hereford, the point at which TransCanada delivers gas onto PNGTS. TCPL offered either  
18 Empress, Alberta or Parkway, Ontario as points where gas could be received. This  
19 capacity offering was available as early as April 1, 2024, subject to TCPL's ability to  
20 secure "necessary commercial and operational arrangements" until new facilities are  
21 constructed. TCPL expects to construct new facilities to support this capacity offering  
22 prior to November 1, 2027.

1 The TCPL Open Season required a minimum service request term equal to 15-years from  
2 November 1, 2027. Due to the limited amount of capacity available and the scarcity of  
3 available incremental supply options in New England, Northern decided to request  
4 service for longer than the 15-year minimum term. Northern's service request through  
5 the TransCanada Open Season was 12,890 Dth of capacity from Empress to East  
6 Hereford with a 30-year term commencing April 1, 2024. Northern entered into a 2024  
7 Precedent Agreement and 2024 Firm Transportation Service Contract with TCPL for  
8 service from April 1, 2024 through October 31, 2027 (or later, if facilities required by  
9 TransCanada are not yet in service and TransCanada maintains the commercial and  
10 operational arrangements to continue interim service beyond October 31, 2027). These  
11 agreements are provided as Attachments 4 and 5, respectively, to Exhibit Unitil-FXW-2.  
12 Conditions precedent include a determination that TCPL has sufficient facilities and/or  
13 operational or other arrangements to provide service under the 2024 TCPL firm  
14 transportation contract, and that the 2027 TCPL PA has not been cancelled.

15 TCPL service from November 2027 through March 2054 is documented in the 2027  
16 TCPL Precedent Agreement, which is provided as CONFIDENTIAL Attachment 6 to  
17 Exhibit Unitil-FXW-2. The 2027 TCPL Precedent Agreement is subject to conditions  
18 precedent, including TCPL receiving authorization to increase its capacity in order to  
19 provide the service awarded to Northern. TCPL must use all reasonable efforts to obtain  
20 the required authorizations and increase its capacity. The 2027 TCPL Precedent  
21 Agreement requires Northern to enter into a Firm Transportation Service Contract for  
22 service from November 2027 through March 2054 upon TCPL either satisfying or  
23 waiving its conditions precedent.

1 The TCPL Open Season, 2024 Precedent Agreement, 2024 Firm Transportation  
2 Agreement, and 2027 Precedent Agreement are described more fully in Exhibit Unitil-  
3 FXW-2, the Empress Capacity Resource Assessment.

4 **Q. Are there potential cancellation costs associated with the TCPL?**

5 A. Yes. If TCPL is unable to obtain required authorizations to increase its capacity from the  
6 Canadian Energy Regulator and other various provincial agencies prior to May 1, 2027,  
7 then the 2027 TCPL PA will be cancelled. If Northern is unable to obtain approval of the  
8 2027 TCPL PA from the New Hampshire and Maine Public Utilities Commissions, fails  
9 to execute the Firm Transportation Service Contract, or withdraws its service request,  
10 then the 2027 TCPL PA will be cancelled. If the 2027 TCPL PA is cancelled for any  
11 reason, TCPL will have the right to recover pre-service and cancellation costs from  
12 Northern, including the portion of the project development costs attributable to  
13 Northern's service request at the time of cancellation. The estimated pre-service and  
14 cancellation costs are estimated on a quarterly basis in the Empress Capacity Resource  
15 Assessment and Exhibit Unitil-FXW-2 CONFIDENTIAL Attachment 7.

16 Northern believes that the risk of incurring cancellation costs in connection with the  
17 TCPL portion of the Empress Capacity is low. Northern has participated in several TCPL  
18 New Capacity Open Seasons with success, and the Company has added several recent  
19 contracts to its portfolio through TCPL precedent agreements with similar treatment of  
20 pre-service costs. These are described in Exhibit Unitil-FXW-2. Given TCPL's string  
21 record of success as a project developer, Northern is confident that TCPL has the  
22 experience and capability to gain the needed approvals and complete the construction of

1 all required facilities. As such, Northern assesses the probability that TCPL would cancel  
2 the project and trigger termination costs to Northern as quite low.

3 **Q. Has the Company prepared an analysis supporting its decision to enter into the**  
4 **Empress Capacity Agreements?**

5 A. Yes, as indicated above, Northern has prepared an Empress Capacity Resource  
6 Assessment, provided as Exhibit Unitil-FXW-2. In addition to describing the Empress  
7 Capacity Agreements, the Empress Capacity Resource Assessment provides context for  
8 the decision to enter into the Agreements with a regional market overview that explains  
9 challenges within the New England energy market and the need for Northern to be  
10 proactive to assure current and future availability of supply for its customers at  
11 reasonable prices. Exhibit Unitil-FXW-2 also includes an overview of the Company's  
12 current long-term portfolio, which is insufficient to meet the Company's design day and  
13 year requirements when viewed against the Company's demand forecast and design  
14 planning standards.

15 The Assessment also provides qualitative and quantitative analyses (including landed cost  
16 and modelled cost analyses) of the Empress Capacity. The qualitative assessment  
17 demonstrates that the Empress Capacity Agreements offer positive non-price attributes  
18 that will improve the Company's portfolio of pipeline, storage, and peaking capacity, and  
19 result in more favorable availability, price diversity, price stability and demand cost  
20 mitigation opportunities. The Company's quantitative assessments shows that the  
21 Empress Capacity is a cost-effective resource that will decrease Northern's planning load  
22 design year peaking service requirement significantly over the first four winter periods of

1           the Empress Capacity Agreements and increase Northern's supply diversity with a  
2           potential to lower natural gas supply costs.

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

4    A.    Yes it does.