

**NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2019/OCTOBER 2020 ANNUAL PERIOD COST OF GAS
ADJUSTMENT FILING
PREFILED TESTIMONY OF
S. ELENA DEMERIS**

1 **I. INTRODUCTION**

2

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

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

6

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

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

16

17 **Q. Please summarize your professional and educational background.**

18 A. In 1996, I graduated from the University of Massachusetts - Lowell with a Bachelor’s of
19 Science Degree in Civil Engineering. In 2005, I earned a Master’s Degree in Business

1 Administration and in 2006 a Master's Degree in Finance from Southern New Hampshire
2 University. I joined Unutil in July 1998 in the regulatory/rate department.

3
4 **II. PURPOSE OF TESTIMONY**

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

6 A. The purpose of my testimony is to introduce and describe Northern's (or "the
7 Company") proposed changes to its Local Delivery Adjustment Charges ("LDAC").
8 Northern is proposing changes to its LDAC for effect November 1, 2019 for the
9 following components: Residential Low Income Assistance and Regulatory Assessment
10 ("RLIARA") Costs Rate, Energy Efficiency Charge (EEC), Environmental Response
11 Cost ("ERC") Rate, and Lost Revenue Rate ("LRR"). Northern is not proposing to
12 change the following LDAC components: Interruptible Transportation Margin (ITM),
13 Rate Case Expense (RCE) Factor and Reconciliation of Permanent Changes (RPC) in
14 Distribution Rates. My testimony also discusses the impact the proposed cost of gas
15 (COG) and LDAC rate changes have on customer bills during the 2019-2020 Winter and
16 2020 Summer Seasons.

17
18 **Q. What are the Company's proposed LDAC surcharges?**

19 A. The Company is submitting for approval a proposed LDAC of \$0.0706 per therm for the
20 Residential Class and \$0.0359 per therm for the Commercial/Industrial (C&I) Class
21 effective November 1, 2019 through October 31, 2020. The proposed rates are included
22 on Third Revised Tariff Page 62, superseding Second Revised Tariff Page 62.

1 **Q. Please describe the purpose of the RLIARA.**

2 A. The purpose of this rate is to allow the Company to recover revenue discounts associated
3 with customers participating in the Residential Low Income Assistance (RLIA) Program,
4 as well as the associated administrative costs of that program, pursuant to the
5 Commission's Order in Docket No. DG 05-076. This rate also recovers the non-
6 distribution (or COG) portion of the annual NHPUC Regulatory Assessment (RA) to the
7 Company. The RLIARA rate is charged on all sales and delivery only services billed
8 under the Company's rate schedules.

9
10 **Q. Please describe the proposed change to the RLIARA rate.**

11 A. Northern is proposing to decrease the RLIARA rate from \$0.0044 to \$0.0036 per therm
12 effective November 1, 2019.

13
14 **Q. Could you describe the derivation of the proposed RLIARA rate?**

15 A. The RLIARA rate is derived by estimating the Company's Low-Income Program costs
16 from November 1, 2019 through October 31, 2020, the Regulatory Assessment costs
17 from July 1, 2019 through June 30, 2020, and the total account ending balance as of
18 October 31, 2019. The Low-Income Program costs are estimated to be \$350,409 and are
19 shown on Schedule 39 RLIARA, Page 1 of 3, Line 21. Lines 1-21 explain the derivation
20 of these costs. The estimated 2020 NHPUC Regulatory Assessment collected in the
21 LDAC, \$39,094, is shown on Schedule 39 RLIARA, Page 1 of 3, Line 24, and is based
22 on the NHPUC invoice dated August 8, 2019. Page 3 of 3 of the schedule shows the

1 assignment of the NHPUC annual Regulatory Assessment to distribution and non-
2 distribution costs. The \$368,964 assigned to distribution represents the amount
3 established in the Company's last base rate case proceeding in Docket No. DG 17-070.
4 The remainder, \$39,094, is assigned to the RLIARA and LDAC.
5 Lastly, the projected over-collection ending balance of the RLIARA is (\$123,791) as of
6 October 31, 2019, and is derived as shown on Schedule 39 RLIARA, Page 2 of 3. The
7 total amount of these three factors, \$265,711, is shown on Page 1 of 3, line 25, of
8 Schedule 39 RLIARA, and is divided by estimated weather-normalized firm therm sales
9 billed to customers for the twelve-months ended October 31, 2020 to derive the proposed
10 RLIARA charge of \$0.0036 per therm.

11
12 **Q. What is the purpose of the EEC?**

13 A. The purpose of the EEC rate is to recover from customers, excluding those with Special
14 Contracts, Energy Efficiency (EE) program costs and performance incentives.

15
16 **Q. What are the changes being proposed to the EEC?**

17 A. The Company is proposing to decrease the EEC rate for the Residential Customer Class
18 from \$0.0501 per therm to \$0.0499 per therm, and decrease the charge for the C&I
19 Customer Class from \$0.0264 per therm to \$0.0247 per therm effective November 1,
20 2019.

1 **Q. Please describe the reason for these proposed changes to and the derivation of the**
2 **EEC rate.**

3 A. The proposed changes to the EEC rate are necessitated by the implementation of
4 Northern's 2020 EE program budgets. The budgets for the Residential and C&I
5 customer classes are provided in Schedule 38 EEC, Page 1 of 4. They include expected
6 monthly costs for the remainder of the 2019 rate year (August 2019 – October 2019,
7 approved in Docket No. DE 17-136) and costs for 12 months of the 2020 rate year
8 (November 2019 – October 2020). The proposed changes to the EEC rate are impacted
9 by an expected under-collection in the November 1, 2019 beginning balance of the
10 Residential class and an expected over-collection in the November 1, 2019 beginning
11 balance of the C&I class. Please note that these beginning balances have been adjusted
12 by \$75,000 for the Residential class and \$150,000 for C&I class. These adjustments, as
13 seen on Schedule 38-EEC, Page 2 of 4, have been made in order to fund On Bill
14 Financing to cover the customers' share of Energy Efficiency Costs. The Company is
15 requesting approval of these adjustment in the 2020 New Hampshire Statewide Energy
16 Efficiency Plan Update (2020 Update) in Docket No. DE 17-136, filed on or about
17 September 13, 2019. The derivation of the EEC rate is provided in Schedule 38 EEC,
18 Page 2 of 4. As shown, it is derived by customer class and includes an annual
19 Reconciliation Adjustment of program costs, Performance Incentives and an adjustment
20 for Low-Income Discounts. Supporting information regarding the development of the
21 proposed EEC for the Residential Classes is provided in Schedule 39 EEC, Page 3 of 4,
22 and Page 4 of 4 provides the support for the proposed C&I Class.

1 Please note the EEC Reconciliation Adjustments show actuals through July 2019 and
2 estimates through October 2020 to correspond with the EEC Reconciliation (Attachment
3 J3) filed by the Company on September 13, 2019 in the Docket No. DE 17-136, 2020
4 Update.

5
6 **Q. Please explain the purpose of the LRR?**

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

11
12 **Q. What are the changes being proposed to the LRR?**

13 A. The Company is proposing to increase the LRR rate for the Residential Customer Class
14 from \$0.0064 per therm to \$0.0114 per therm, and increase the charge for the C&I
15 Customer Class from \$0.0014 per therm to \$0.0019 per therm effective November 1,
16 2019.

17
18 **Q. Please explain the calculation of the proposed LRR?**

19 A. The calculation of the LRR is provided on Schedule 38-LRR. As shown on Page 1, the
20 LRR for the Residential and C&I Classes is derived by adding projected annual lost
21 distribution revenue over the period November 1, 2019 through October 31, 2020, the
22 expected October 31, 2019 reconciliation ending balance and the projected interest on

1 monthly over/under collections, and dividing this total by forecast annual therm
2 throughput, by class. Page 2 provides the projected customer class monthly
3 reconciliation of costs and revenue for the period November 2019 through October 2020.
4 Beginning monthly balances are shown on Lines 2 and 29 for the Residential and C&I
5 classes, respectively, and ending monthly balances are shown on Lines 27 and 55,
6 respectively. This page also provides the calculation of estimated lost distribution
7 revenue based on estimated customer class therm savings as seen on Lines 12 and 40.
8 The Cumulative Savings-Prior, Page 2, Line 8, for the Residential class and Line 36 for
9 the C&I classes, are the estimated October 2019 ending balances as seen on Page 5,
10 Lines 9 and 36. Page 3 provides the calculation of the Company's average distribution
11 rates by sector, excluding Customer Charges. These average distribution rates are
12 derived by taking seasonal averages of total volumetric revenue divided by total Winter
13 and Summer Season therms, by class. Page 4 provides further detail for the estimated
14 savings that are used in the calculation of lost revenue on Page 2. Page 5 provides a
15 reconciliation of the prior period, actual data from January through July 2019 and
16 estimated data for August through October 2019. Page 6 shows the savings and lost
17 revenue estimates based on CY 2020. These do not include prior cumulative savings.
18 The annualized therm savings are listed by month and are shown on Page 2, Line 4 for
19 Residential and Line 33 for C&I starting in January 2020. The November and December
20 2019 annualized therm estimates are pulled from Page 4, Line 15, for Residential and
21 Line 21 for C&I. The Incremental Monthly Savings as seen on Pages 2 and 5, Lines 5
22 and 33, are the Incremental Annualized Savings divided by 12 months. Please note the

1 LRR reconciliations here include actuals through July 2019 to correspond with the LRR
2 Reconciliation (Attachment J5) filed by the Company on September 13, 2019 in Docket
3 No. DE 17-136, 2020 Update.

4
5 **Q. Please explain the purpose of Northern's ERC.**

6 **A.** The purpose of the ERC is to recover expenditures associated with remediation of former
7 manufactured gas plants. The ERC is applied to all gas sales and delivery service billed
8 under the Company's sales and delivery service rate schedules. The costs submitted for
9 recovery through the ERC recovery mechanism are presented in the ERC Filing
10 submitted in this docket under separate cover. The environmental investigation and
11 remediation costs that underlie these expenses are the result of efforts by the Company to
12 respond to its legal obligations at sites located in Exeter and Rochester, New Hampshire.
13 In total, the Company has incurred environmental remediation costs of \$203,357 from
14 July 2018 through June 2019. A summary sheet and detailed backup spreadsheets
15 supporting 2018-2019 costs are provided in the ERC Filing

16
17 **Q. Please describe the change to Northern's ERC rate that is proposed for effect
18 November 1, 2019.**

19 **A.** The current ERC rate is \$0.0058 per therm. Northern proposes to decrease this rate to
20 \$0.0057 per therm.

21
22 **Q. Please explain the calculation of the proposed ERC rate.**

1 A. As stated above, during the period July 1, 2018 through June 30, 2019, ERC expenses
 2 totaled \$203,357. Northern is allowed to recover one-seventh of the actual response
 3 costs incurred by the Company in a twelve-month period ending June 30 of each year
 4 until fully amortized over seven years, plus any insurance and third-party expenses for
 5 the year, or \$435,575 (see table below). Due to the amortization of these costs, the ERC
 6 rate in this filing includes the current year (\$203,357 divided by 7, or \$29,051) and six
 7 prior years of unamortized amounts. Any insurance and third-party recoveries or other
 8 credits for the year are used to reduce the unamortized balance. The total ERC costs to
 9 be recovered, shown below and on Page 1, Line 13, of Schedule 39 - ERC (this schedule
 10 is also Schedule 1 submitted by the Company in the Environmental Response Cost filing)
 11 are comprised of the following:

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
1/7th ERC costs incurred July 2014 - June 2015	\$ 16,028
1/7th ERC costs incurred July 2013 - June 2014	\$ 5,840
1/7th ERC costs incurred July 2012 - June 2013	\$ 25,058
Total	\$435,575

12
 13 In addition, the ERC rate includes the prior period reconciliation of ERC costs. The
 14 October 31, 2019 ending balance is estimated to be an over collection of \$12,257, as
 15 shown on Schedule 39-ERC Page 2 of 2. Given the above, total ERC costs to be
 16 recovered for the period of November 2019 through October 2020 are \$423,318.

17 Dividing the recoverable ERC costs by projected total annual sales of 74,751,212 therms

1 results in an ERC rate of \$0.0057 per therm. This calculation is illustrated in Schedule
2 39 ERC, Page 1 of 2.

3
4 **Q. Does the proposed LDAC include a credit for Interruptible Transportation**
5 **Margins?**

6 A. No. The Company did not provide Interruptible Transportation service during the past
7 year, has not provided this service for many years and does not expect to provide any in
8 the upcoming year. Therefore, Northern has not credited any actual or expected
9 interruptible margins back to customers.

10
11 **Q. Please explain the Company's proposal for filing its future Quarterly Interruptible**
12 **Transportation Reports.**

13 A. Each quarter, the Company submits a report containing information regarding monthly
14 interruptible sales, revenue, and profit margin from Interruptible Customers. Northern
15 files this report in accordance with Order No. 19,181, Docket No. DR 88-083, approved
16 by the Commission on September 22, 1988. The Company has not served any
17 interruptible customers since 2008. Thus, for administrative ease, the Company
18 proposes, going forward, to file this report with the Commission only when interruptible
19 customers are served and revenues are collected.

20

1 **Q. Have you prepared typical bill analyses showing the impacts of the proposed COG**
2 **and LDAC rate changes for effect on November 1, 2019 for typical Residential**
3 **heating customers over the upcoming Winter Season?**

4 A. Yes, Schedule 3, pages 1 through 5 provides the analyses. It shows that a typical
5 Residential heating customer consuming 627 therms during the 2019/2020 Winter Season
6 will expect a bill of \$979.28. This is a decrease of \$156.10, or (14.02%) compared to the
7 2018/2019 Winter Season bill with the same consumption.

8

9 **Q. Have you prepared typical bill analyses showing the impacts of the proposed COG**
10 **and LDAC for effect on May 1, 2020 for typical Residential heating gas customers**
11 **over the next Summer Season?**

12 A. Yes, Schedule 8, pages 6 through 10 provides this analysis. It shows that a typical
13 residential heating customer consuming 131 therms during the 2020 Summer Season will
14 expect a bill of \$258.96. This is a decrease of \$5.40, or (2.05%) compared to the 2019
15 Summer Season bill with the same consumption.

16

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

18 A. Yes, it does.