

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

Docket No. DE 20-092

2021-2023 Triennial Energy Efficiency Plan  
System Benefits Charge Testimony

**DIRECT TESTIMONY**

**OF**

**CHRISTOPHER J. GOULDING,**

**ERICA L. MENARD,**

**HEATHER M. TEBBETTS,**

**AND**

**CAROL M. WOODS**

September 1, 2020

**TABLE OF CONTENTS**

**I. INTRODUCTION AND BACKGROUND ..... 1**

**II. EE COMPONENT OF THE SBC ..... 6**

**III. LBR COMPONENT OF THE SBC ..... 11**

**IV. TOTAL SBC AND BILL IMPACTS ..... 14**

**V. NORTHERN'S EEC AND LRR ..... 15**

**VI. CONCLUSION ..... 18**

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Mr. Goulding, please state your full name, business address, and position.**

3 A. My name is Christopher J. Goulding. My business address is 6 Liberty Lane West,  
4 Hampton, New Hampshire 03842. I am the Director of Rates and Revenue Requirements  
5 for Unitil Service Corp. (“Unitil Service”), a subsidiary of Unitil Corporation that  
6 provides managerial, financial, regulatory and engineering services to Unitil  
7 Corporation’s utility subsidiaries including Fitchburg Gas and Electric Light Company  
8 d/b/a Unitil (hereinafter referred to as “Unitil”, the “Company”, or “FG&E”, as  
9 appropriate). My responsibilities include all rate and regulatory filings related to the  
10 financial requirements of FG&E and Unitil’s other subsidiaries.

11 **Q. Please describe your educational background and training.**

12 A. I earned a Bachelor of Science degree in Business Administration with a concentration in  
13 Accounting from Northeastern University in 2000 and a Master’s in Business  
14 Administration from Boston College in 2009.

15 **Q. Please describe your professional experience.**

16 A. In 2000 I was hired by NSTAR Electric & Gas Company (“NSTAR,” now Eversource  
17 Energy) and held various positions with increasing responsibilities in Accounting,  
18 Corporate Finance and Regulatory. I was hired by Unitil Service Corp. in early 2019 to  
19 perform my current job responsibilities.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**  
2 **Commission?**

3 A. Yes, I have testified on multiple occasions before the New Hampshire Public Utilities  
4 Commission (“Commission”).

5 **Q. Ms. Menard, please state your full name, business address, and position.**

6 A. My name is Erica L. Menard. My business address is 780 North Commercial Street,  
7 Manchester, NH. I am employed by Eversource Energy Service Company as the Manager  
8 of New Hampshire Revenue Requirements and in that position, I provide rate  
9 calculations and regulatory services to Public Service Company of New Hampshire d/b/a  
10 Eversource Energy (“Eversource” or the “Company”).

11 **Q. Please state your educational background and training.**

12 A. I graduated from the University of Maine in 1997 with a Bachelor of Arts degree in  
13 Economics and Business Administration with a concentration in Finance and from the  
14 University of New Hampshire in 2007 with a Master’s in Business Administration.

15 **Q. Please describe your professional experience.**

16 A. I was hired by Public Service Company of New Hampshire (now Eversource) in 2003  
17 and have held various positions in the Company with increasing levels of responsibility. I  
18 was appointed to my current position of Manager, Revenue Requirements –NH in April  
19 2019. Prior to my current role, I held positions in the Financial Planning & Analysis,  
20 Business Planning, Economic Development and Load Forecasting areas. Prior to joining  
21 Eversource, I held various positions at ICF Consulting in Fairfax, Virginia with

1 responsibilities for implementing load profiling and load settlement software at various  
2 utilities around the world.

3 **Q. Have you previously testified before the Commission?**

4 A. Yes, I have testified on multiple occasions before the Commission.

5 **Q. Ms. Tebbetts, please state your full name, business address, and position.**

6 A. My name is Heather M. Tebbetts and my business address is 15 Buttrick Road,  
7 Londonderry, New Hampshire. I am Manager of Rates and Regulatory Affairs for  
8 Liberty and am responsible for providing rate-related services for EnergyNorth and  
9 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (“Granite State”).

10 **Q. Please describe your educational background and training.**

11 A. I graduated from Franklin Pierce University in 2004 with a Bachelor of Science degree in  
12 Finance. I received a Master of Business Administration from Southern New Hampshire  
13 University in 2007.

14 **Q. Please describe your professional background.**

15 A. I joined Liberty in October 2014. Prior to my employment at Liberty, I was employed by  
16 Public Service Company of New Hampshire (“PSNH”) as a Senior Analyst in NH  
17 Revenue Requirements from 2010 to 2014. Prior to my position in NH Revenue  
18 Requirements, I was a Staff Accountant in PSNH’s Property Tax group from 2007 to  
19 2010 and a Customer Service Representative III in PSNH’s Customer Service  
20 Department from 2004 to 2007.

1 **Q. Have you previously testified before the Commission?**

2 A. Yes, I have testified on numerous occasions before the Commission, most recently in  
3 Docket No. DE 19-064, which was Granite State's most recent distribution rate case.

4 **Q. Ms. Woods, please state your full name, business address, and position.**

5 A. My name is Carol M. Woods and my business address is 579 Tenney Mountain  
6 Highway Plymouth, New Hampshire. I am an Energy Solutions Executive for New  
7 Hampshire Electric Cooperative. My responsibilities include management of planning  
8 and regulatory support for the company's energy efficiency programs.

9 **Q. Please describe your educational background and training.**

10 A. I graduated from Plymouth State University in 1996 with a Bachelor of Science Degree  
11 in Accounting. I received a Master of Business Administration from Southern New  
12 Hampshire University in 2008.

13 **Q. Please describe your professional experience.**

14 A. I was hired by New Hampshire Electric Cooperative in 2001 to perform my current job  
15 responsibilities.

16 **Q. Have you previously testified before the New Hampshire Public Utilities  
17 Commission?**

18 A. Yes, I have testified on multiple occasions before the Commission.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of our testimony is: (1) to present and support the calculation of the annual  
3 rates for the Energy Efficiency (“EE”) component of the System Benefits Charge  
4 (“SBC”) proposed for effect on January 1, 2021, January 1, 2022, and January 1, 2023;  
5 and (2) to present and support the calculation of the annual rates for the lost base revenue  
6 (“LBR”) component of the SBC proposed for effect January 1, 2021, January 1, 2022,  
7 and January 1, 2023. Our testimony explains what is contained in Attachments E3, F3,  
8 G3, and H3, which provide the calculations of the EE and LBR rate components for each  
9 electric distribution utility. In addition, the testimony will also present the Energy  
10 Efficiency Charge (“EEC”) and Lost Revenue Rate (“LRR”) for Northern. These rate  
11 calculations are presented in Attachments J3 (EEC) and J5 (LRR) and are being provided  
12 for informational purposes. The proposed EEC and LRR will be filed in Northern’s  
13 upcoming annual Cost of Gas filing that will be submitted to the Commission on or  
14 before September 15, 2020.

15 EnergyNorth is providing a reconciliation of lost revenues in Attachment I4 as the  
16 Company’s decoupling mechanism approved in Order No. 26,122 in Docket No. DG 17-  
17 048, thus the lost revenue mechanism is no longer effective outside of the reconciliation  
18 of previous periods.

1 **II. EE COMPONENT OF THE SBC**

2 **Q. Please explain the changes to the EE component of the SBC rate for the 2021-2023**  
 3 **plan.**

4 A. The 2021-2023 plan will now provide an EE component separated by sector, residential  
 5 and commercial, rather than continue with a single rate for all sectors. The utilities are  
 6 also filing separate EE component rates, contrary to the filings of the past. Table 1  
 7 provides a snapshot of EE component rates by utility:

Table 1. Energy Efficiency Component Rates (\$/kWh)

2021	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00651	\$0.00838	\$0.00568	\$0.00615
Commercial	\$0.01029	\$0.00906	\$0.00561	\$0.00867
2022	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00646	\$0.00873	\$0.00864	\$0.00773
Commercial	\$0.01498	\$0.01036	\$0.00843	\$0.01070
2023	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00673	\$0.08530	\$0.00922	\$0.00767
Commercial	\$0.02062	\$0.01004	\$0.01061	\$0.01333

8  
 9 **Q. How was the EE rate calculated?**

10 A. With a statewide savings target of 5% of 2019 sales to be achieved over the course of the  
 11 2021-2023 triennium, translating to 525,333 MWh in expected annual savings across the  
 12 term and 6.7 billion lifetime kWh, the total required funding is \$369.787 million. Please  
 13 see the table below providing a breakdown of funding mechanisms for each utility. These  
 14 calculations are further broken down by each utility on page 1 of Attachments E3  
 15 (Eversource), F3 (Liberty), G3 (NHEC), and H3 (Unitil).



Table 2. Funding by Program

		HEA					
2021	Sector	Carryover	Carryover	RGGI	FCM	SBC Funds	Total
Eversource	Residential	\$0	\$0	\$377,341	\$1,557,889	\$20,673,489	\$22,608,719
	C&I	\$0	\$0	\$1,531,542	\$3,635,073	\$46,577,169	\$51,743,785
NHEC	Residential	\$407,827	\$0	\$34,612	\$30,000	\$3,934,561	\$4,407,000
	C&I	\$28,157	\$0	\$172,873	\$70,000	\$2,710,970	\$2,982,000
Liberty	Residential	\$598,262	\$19,796	\$44,153	\$263,079	\$1,636,452	\$2,561,742
	C&I	\$755,404	\$0	\$177,584	\$348,732	\$3,571,782	\$4,853,502
Unitil	Residential	\$480,100	\$0	\$56,687	\$168,524	\$3,972,213	\$4,677,524
	C&I	(\$111,241)	\$0	\$228,000	\$393,222	\$4,382,004	\$4,891,985
		HEA					
2022	Sector	Carryover	Carryover	RGGI	FCM	SBC Funds	Total
Eversource	Residential	\$0	\$0	\$362,535	\$1,433,201	\$20,620,060	\$22,415,796
	C&I	\$0	\$0	\$1,531,542	\$3,344,136	\$67,090,791	\$71,966,469
NHEC	Residential	\$0	\$0	\$34,612	\$30,000	\$4,100,388	\$4,165,000
	C&I	\$0	\$0	\$172,873	\$70,000	\$3,100,127	\$3,343,000
Liberty	Residential	\$0	\$0	\$42,420	\$233,584	\$2,496,480	\$2,772,483
	C&I	\$0	\$0	\$177,584	\$309,634	\$5,398,895	\$5,886,113
Unitil	Residential	(\$879)	\$0	\$54,463	\$140,137	\$4,964,828	\$5,158,548
	C&I	(\$852)	\$0	\$228,000	\$326,985	\$5,633,809	\$6,187,942
		HEA					
2023	Sector	Carryover	Carryover	RGGI	FCM	SBC Funds	Total
Eversource	Residential	\$0	\$0	\$347,726	\$1,198,252	\$21,735,949	\$23,281,927
	C&I	\$0	\$0	\$1,531,542	\$2,795,920	\$91,149,205	\$95,476,667
NHEC	Residential	\$0	\$0	\$34,612	\$30,000	\$4,006,388	\$4,071,000
	C&I	\$0	\$0	\$172,873	\$70,000	\$3,005,127	\$3,248,000
Liberty	Residential	\$0	\$0	\$40,687	\$150,966	\$2,651,629	\$2,843,282
	C&I	\$0	\$0	\$177,584	\$200,117	\$6,770,979	\$7,148,680
Unitil	Residential	\$0	\$0	\$52,238	\$133,129	\$5,159,285	\$5,344,652
	C&I	\$0	\$0	\$228,000	\$310,634	\$7,212,807	\$7,751,441

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Page 2 of Attachments E3 (Eversource) and H3 (Unitil) provides actual and forecasted monthly revenues and expenses for the 2020 program year. The forecasted monthly revenue and expenses for the 2021 through 2023 program years are provided on pages 3 through 8 of Attachment E3 (Eversource), pages 2 through 4 of Attachment F3 (Liberty),

1 pages 2 through 7 of Attachment G3 (NHEC). Page 3 of Attachment H3 (Unitil) provides  
2 forecasted monthly revenue and expenses for 2021.

3 **Q. Please explain why the utilities are filing a three-year plan with set EE component**  
4 **SBC rates for each year.**

5 A. In previous plans, the utilities filed an Annual Update to the triennial plan each year  
6 which included updated and reconciled SBC rate components. In this three-year plan, the  
7 structure of the EERS is moving further toward the cumulative achievement of goals over  
8 the course of the 36 month triennium, without the start and stop of an annual plan update  
9 filing. Therefor the utilities are proposing the EE component of SBC rates for each of the  
10 three years for approval in this 2021-2023 Energy Efficiency Plan filing.

11 **Q. Why are there differences in EE component rates between sectors and between**  
12 **utilities?**

13 A. The primary goal of the EERS and the 2021-2023 Plan is a three-year statewide energy  
14 savings goal, measured as a percentage of the 2019 Annual kWh sales for the electric  
15 programs and as a percentage of the 2019 Annual Therm sales for the natural gas  
16 programs. Different utility territories and sectors have a varying ability to contribute  
17 toward the statewide energy savings targets. The utilities have targeted their plans and  
18 budgets to accomplish the joint goal based on analysis of where the savings can be  
19 achieved.

20 **Q. Is there precedent for setting different EE rates between sectors and utilities?**

21 A. Yes. The Natural Gas programs have used this approach for many years.

1 **Q. How will the utilities maintain receiving enough funding each year for their**  
2 **programs if the EE component of the SBC rate was set too low?**

3 A. The utilities are proposing an annual “trigger mechanism” to allow the EE component of  
4 the SBC rate to be increased or decreased by no greater than ten percent over the  
5 approved rate for a given year if needed based on reconciliation of actual sales and  
6 revenues compared to forecast, or if the budget is increased for the upcoming year to  
7 accommodate increased program costs.

8 **Q. Is this trigger mechanism a new concept?**

9 A. No. EnergyNorth Natural Gas utilizes this same type of mechanism during the winter  
10 months for when the cost of gas rate is projected to be over or under collection for the  
11 period no greater than 25 percent and has since 1998.

12 **Q. How does the annual update filing using the trigger mechanism work?**

13 A. In Docket No. DR 98-015, the Commission approved in Order No. 22,890, a monthly  
14 adjustment to the cost of gas that does not require a filing for rate approval. It provides  
15 the ability to adjust the approved cost of gas rate upward or downward monthly based on  
16 the Company’s calculation of the projected over or under collection for the period and  
17 applied on a bills rendered basis. The adjusted cost of gas rate would not increase or  
18 decrease more than plus or minus ten percent of the approved unit cost of gas. In 2000,  
19 Order No. 23,580 increased that maximum allowed to 20 percent. In 2009, Order No.  
20 24,963 increased that maximum to 25 percent.

1 Utilizing this same structure for the EE component of the SBC rate would provide  
2 flexibility for the utilities to increase or decrease the rate by no more than ten percent of  
3 the approved rate without the need for a formal procedure and hearing. It also provides  
4 the opportunity to avoid a high over or under collection after the three year plan is  
5 completed. The trigger mechanism is not a requirement, meaning if the EE component of  
6 the SBC rate is sufficient to continue approved funding requirements for the following  
7 year, the rate does not need to be changed. In addition, Puc 1203.02(f) affords rates to be  
8 adjusted as frequently as determined by the Commission. While the practice has been for  
9 a full adjudicated process annually for the SBC rate, given that the utilities are filing a  
10 rate up to three years in advance, this potential yearly adjustment is consistent with the  
11 Commission's statutory obligations and administrative rules.

12 If there is reason to change the rate and the rate is within the ten percent threshold, the  
13 requirement would be the utility requesting the change will file a technical statement with  
14 the projected over or under calculation, along with the resulting EE portion of the SBC  
15 rate by December 10 each year as the SBC rate goes in to effect January 1 of the  
16 following year. The utility will also file a revised tariff page reflecting the change.

17 At the end of the three-year period, a final reconciliation will be filed to reconcile the  
18 final three-year program budget and expenses.

1 **Q. What if the budget requirements are such that the ten percent increase to the rate is**  
 2 **not sufficient?**

3 A. If there is reason to change the rate and the rate is outside of the ten percent threshold, the  
 4 utility will need to make a full reconciliation filing, similar to how it was filed in the  
 5 annual reconciliations in Docket No. 17-136, by October 10. A formal adjudicative  
 6 process will be conducted to receive approval of the EE portion of the SBC rate.

7 **III. LBR COMPONENT OF THE SBC**

8 **Q. What is the proposed LBR Component of the SBC?**

9 A. The proposed LBR rates differ by utility as shown in the table below. Eversource and  
 10 Unitil are both proposing a separate LBR rate for Residential and C&I sectors for all  
 11 three years, similar to the EE portion of the SBC rate and aligns the LBR rate with the  
 12 sector where the savings are being achieved. Lost revenues do not apply to NHEC;  
 13 therefore, an LBR rate is not utilized by NHEC.

Table 3. Total Lost Base Revenue (LBR) Charge (\$/kWh)				
2021	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00065	N/A	\$0.00068	\$0.00120
C&I	\$0.00091	N/A	\$0.00068	\$0.00129
2022	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00102	N/A	N/A	\$0.00145
C&I	\$0.00159	N/A	N/A	\$0.00121
2023	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00118	N/A	N/A	\$0.00186
C&I	\$0.00220	N/A	N/A	\$0.00130

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1 **Q. Has Liberty included an LBR rate in this filing?**

2 A. Yes, but only to collect an under recovery for 2019 and recover LBR for 2020. In Docket  
3 No. DE 17-136, Liberty's 2020 LBR rate was not approved. Subsequently in the  
4 Company's rate case, Docket No. DE 19-064, the Settlement Agreement provided that

5 In return for Liberty agreeing to a later date to implement  
6 decoupling, the parties agree that Liberty shall be permitted  
7 to continue the Lost Revenue Adjustment Mechanism  
8 (LRAM) for calendar years 2019 and 2020. Final  
9 determination of the LRAM and SBC for billing will be  
10 made in DE 17-136, or subsequent energy efficiency  
11 dockets. The Settling Parties shall review and approve tariff  
12 language implementing the decoupling mechanism prior to  
13 Liberty's submission of the decoupling tariff to the  
14 Commission in sufficient time for the scheduled July 1,  
15 2021, implementation.

16 The Company is providing the calculation of LBR in compliance with the Agreement and  
17 the order approving it.

18 **Q. Please explain how the LBR rate was calculated?**

19 A. As shown on page 9 of Attachment E3 (Eversource) and page 4 of Attachment H3  
20 (Unitil), the sum of the forecast lost base revenue, plus the prior year balance, plus  
21 current year interest, is divided by the forecast deliveries to arrive at the proposed rate.  
22 Pages 10 through 13 of Attachment E3 (Eversource) and page 5 of Attachment H3  
23 (Unitil) provides the supporting savings calculations for the 2020 through 2023 projected  
24 lost revenues. Page 14 of Attachment E3 (Eversource) and page 6 of Attachment H3  
25 (Unitil) provides a reconciliation of the actual and forecasted monthly revenues collected  
26 from the LBR rate during 2020. Pages 15 and 16 of Attachment E3 (Eversource)  
27 provides a reconciliation of the actual and forecasted monthly revenues collected from

1 the LBR rate during 2021. Page 17 of Attachment E3 (Eversource) and page 8 of  
2 Attachment H3 (Unitil) provides a computation of the average sector distribution rates for  
3 use in the lost revenue calculation. Additional details supporting the average rate  
4 calculation starts on page 19 of Attachment E3 (Eversource) and page 10 of Attachment  
5 H3 (Unitil).

6 **Q. Are there changes in the way that lost base revenue is calculated in the 2020-2023**  
7 **time period?**

8 A. The 2021-2023 LBR is calculated consistent with the methodology used in the 2020 LBR  
9 calculation. However, Eversource and Unitil are proposing a separate LBR calculation  
10 for the Residential and C&I sectors to align the LBR rate with the sector producing the  
11 lost revenues. As demonstrated on pages 10 through 13 of Attachments E3 (Eversource)  
12 and page 5 of Attachment H3 (Unitil), measures installed after 2018 have their lost base  
13 revenue calculated by adding two “separate” calculations; the kWh savings are multiplied  
14 by the sector’s kWh LBR Average Distribution Rate, then the kW savings are multiplied  
15 by the sector’s kW LBR Average Distribution Rate. The addition of these two  
16 calculations results in the total lost base revenue for measures installed. For all measures  
17 installed on or after January 1, 2019, this method is used to calculate lost base revenue for  
18 the life of the measure. Further details are provided within the August 29, 2018 NH LBR  
19 Working Group Report<sup>1</sup>.

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<sup>1</sup> August 29, 2018 Working Group Report in Docket No. DE 17-136 EERS LBR Working Group  
[https://www.puc.nh.gov/EESE%20Board/EERS\\_WG/20180829-EERS-WG-LBR-Report-On-LBR.docx](https://www.puc.nh.gov/EESE%20Board/EERS_WG/20180829-EERS-WG-LBR-Report-On-LBR.docx)

1 **Q. Is a specific annual LBR rate being proposed for approval for the 2021-2023 period,**  
2 **consistent with the EE portion of the SBC rate?**

3 A. Yes, a specific rate for LBR by sector is being proposed for Eversource and Unitil. The  
4 LBR portion of the SBC rate would utilize an annual “trigger mechanism” approach,  
5 similar to the EE portion of the SBC rate. If the LBR rate increases or decreases by ten  
6 percent, the utility would file a technical statement on December 10 without an  
7 adjudicative process. If the LBR rate changes by more than plus or minus ten percent, the  
8 utility would make a formal filing by October 10 and an adjudicative process would be  
9 conducted to approve the increase or decrease in the rate for effect January 1 of the  
10 following year.

11 **IV. TOTAL SBC AND BILL IMPACTS**

12 **Q. What is the total proposed SBC?**

13 A. Table 4 below provides the total proposed SBC with Attachments E3 (Eversource), F3  
14 (Liberty), G3 (NHEC), and H3 (Unitil) providing the full calculation of the rates,  
15 including the EE, EAP and LBR components of the SBC rate.



Table 4. Total System Benefits Charge (\$/kWh)				
2021	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00866	\$0.00988	\$0.00719	\$0.00885
Commercial	\$0.01270	\$0.01056	\$0.00712	\$0.01146
<hr/>				
2022	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00898	\$0.01023	\$0.01014	\$0.01068
Commercial	\$0.01807	\$0.01186	\$0.00993	\$0.01341
<hr/>				
2023	Eversource	NHEC	Liberty	Unitil
Residential	\$0.00941	\$0.01003	\$0.01072	\$0.01103
Commercial	\$0.02432	\$0.01155	\$0.01211	\$0.01613

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**Q. Have you provided bill impacts associated with the proposed SBC?**

A. Yes. The bill impact for a typical residential and C&I customer is provided on Page 18 of Attachment E3 (Eversource), Page 6 of Attachment F3 (Liberty), Page 8 of Attachment G3 (NHEC), and Page 9 of Attachment H3 (Unitil).

**Q. Do the utilities require Commission approval of the SBC billed to customers by a specific date?**

A. Yes, the utilities request approval of the SBC by December 28, 2020, in order to implement the new rate for service rendered on and after January 1, 2021.

**V. NORTHERN'S EEC AND LRR**

**Q. Turning to gas, what is Northern presenting for the EEC and LRR?**

A. Northern is presenting the EEC and LRR in Attachments J3 (EEC) and J5 (LRR). These attachments are being provided for informational purposes only at this time. The final proposed rates will be filed in Northern's upcoming Annual Cost of Gas filing due on or before September 15, 2020.

1 **Q. What is the purpose of the EEC?**

2 A. The purpose of the EEC is to recover from firm ratepayers Energy Efficiency program  
3 costs and performance incentives.

4 **Q. What are the changes to the EEC?**

5 A. The EEC for the residential classes is projected to increase from \$0.0499 per therm to  
6 \$0.0774 per therm, and the EEC is projected to increase from \$0.0247 per therm to  
7 \$0.0337 per therm for the commercial and industrial customer classes effective  
8 November 1, 2020. The rate calculation is provided on Attachment J3, Page 2 of 4.

9 **Q. Please describe the reason for these changes to and describe the derivation of the**  
10 **EEC.**

11 A. The changes to the EEC are necessitated by the implementation of Northern's calendar  
12 year 2020 energy efficiency program budget. That budget is provided in Attachment J3,  
13 Page 1 of 4. The EEC is provided on Page 2 of 4. As shown, the rate is derived by  
14 customer class and includes an annual reconciliation of the program costs and  
15 performance incentives with an adjustment for the low-income discount costs. The  
16 projected reconciliation of costs and revenues is provided on Pages 3 and 4 for the  
17 residential classes and commercial and industrial classes, respectively.

18 **Q. What is the LRR calculated for effect November 1, 2020?**

19 A. The calculated LRR for the residential classes is \$0.0220 per therm and the LRR for the  
20 Commercial classes is \$0.0030. This is an increase of \$0.0106 from the currently

1 effective rate of \$0.0114 for Residential Customers and an increase of \$0.0011 from the  
2 currently effective rate of \$0.0019 for C&I Customers.

3 **Q. Please explain the calculation of the proposed LRR?**

4 A. The calculation of the LRR is provided on Attachment J5. As shown on Page 1 of 6, the  
5 LRR for each sector (residential and commercial/industrial) is derived by dividing the  
6 projected annual lost revenue, plus the reconciliation balance, plus projected interest, by  
7 forecast firm annual throughput. Page 2 of 6 provides the projected reconciliation of costs  
8 and revenue for the period November 2019 through October 2020. Pages 2a through 2c  
9 provide forecast reconciliations of November through October, 2020 – 2021, 2021 – 2022  
10 and 2022 – 2023. Pages 3-3c provide the calculation of estimated lost distribution  
11 revenue based on estimated savings. Page 4 of 6 provides further detail for the estimated  
12 savings that are used in the calculation of lost revenue on Page 2 of 6. Page 5 of 6  
13 provides the calculation of the Company's average distribution rates by sector that is used  
14 in the calculation of estimated lost revenue beginning January 1, 2020 Page 6 of 6  
15 provides bill impacts for the 2021 – 2023 period.

16 **Q. Will Northern be updating the EEC and LRR?**

17 A. Yes. As previously indicated, Northern is providing the EEC and LRR schedules for  
18 informational purposes only and is not seeking approval the EEC and LLR through this  
19 docket. The EEC and LRR will be filed in the upcoming Annual 2020 Cost of Gas Filing  
20 that will be submitted to the Commission on, or before, September 15, 2020.

1 VI. **CONCLUSION**

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

3 A. Yes, it does.