

**NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2021 / OCTOBER 2022 ANNUAL PERIOD
SECOND AMENDED COST OF GAS ADJUSTMENT FILING
Docket No. DG 21-131**

**SUPPLEMENTAL PREFILED TESTIMONY OF
CHRISTOPHER A. KAHL**

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

2 A. My name is Christopher A. Kahl. My business address is 6 Liberty Lane West,
3 Hampton, New Hampshire.

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

5 A. I am a Senior Regulatory Analyst for Unitil Service Corp. (“Unitil Service”), a subsidiary
6 of Unitil Corporation (“Unitil”). Unitil Service provides managerial, financial, regulatory
7 and engineering services to the principal subsidiaries of Unitil. These subsidiaries are
8 Fitchburg Gas and Electric Light Company d/b/a Unitil, Granite State Gas Transmission,
9 Inc., Northern Utilities, Inc. d/b/a Unitil (“Northern” or “the Company”), and Unitil
10 Energy Systems, Inc. I am responsible for developing, providing and sponsoring certain
11 reports, testimony and proposals filed with regulatory agencies.

12 **Q. Have you previously testified before the New Hampshire Public Utilities
13 Commission or for Unitil?**

14 A. Yes, I have testified before the Commission in the 2021 / 2020 Annual Cost of Gas
15 (“COG”) proceeding, Docket No. DG 20-154 and the 2019 / 2020 Annual COG
16 proceeding, Docket No. DG 19-154. I have testified in numerous other Cost of Gas
17 proceedings as well.

1 **Q. Please explain the purpose of your pre-filed supplemental testimony in this**
2 **proceeding.**

3 A. The purpose of my pre-filed supplemental testimony is to explain why Northern is
4 submitting its second amended 2022 Summer Season COG filing in this docket. As the
5 Commission is aware, Northern submitted its first amended COG filing as part of its May
6 2022 monthly gas report with new COG rates issued for effect on June 1, 2022. This first
7 amended COG filing was made because Northern had already increased COG rates by
8 the maximum 25% preapproval limit in April and was projecting a material under-
9 collection of gas costs in its May 2022 monthly gas report. The Commission approved
10 the amended COG filing and the new COG rates went into effect on June 1, 2022.
11 However, based on NYMEX futures prices as of June 10, 2022 (as shown in Northern's
12 June 2022 monthly gas report), the Company is once again projecting a material under-
13 collection of gas costs and is now submitting this second amended COG filing.

14 **Q. What effective date is Northern requesting for this COG rate change?**

15 A. Northern is requesting that the new COG rates go into effect on July 1, 2022 but is aware
16 that the Commission may not be able to review and approve the rates before that time. In
17 that case, Northern has included a second set of COG rates, effective August 1, 2022, that
18 are \$0.0425 per therm higher due to the shorter amount of time in which to recover the
19 under-collection. I note that the August 1st rates are provided for informational purposes
20 only and if the Commission cannot approve rates by July 1, 2022, Northern will update
21 its proposed August 1st COG rates on or around July 11th in order to obtain the latest
22 NYMEX prices and the most recent projected under-collection balance.

1 **Q. What is the reason for the proposed increase in COG rates?**

2 A. The proposed COG rate change is predominantly due to higher NYMEX prices. In
3 Northern's initial amended COG filing, the average NYMEX price for June through
4 August 2022 was \$7.06 per Dth. In this filing, the average NYMEX price for this period,
5 based on the June 10, 2022 prices, is \$8.63 per Dth; an increase of \$1.80 per Dth.

6 **Q. Why have NYMEX prices continued to increase since the initial 2022 Summer COG**
7 **prices were calculated in September 2022?**

8 A. Although I am familiar with the fundamentals natural gas commodity prices, I am not an
9 expert in this field. To get a better understanding of the factors impacting NYMEX gas
10 futures, I consulted with Northern's Energy Contracts department which procures the
11 Company's gas supplies and has a more in-depth understanding of natural gas supply
12 prices. In their view, the high NYMEX prices are due to higher demand, in both Europe
13 and Asia, for LNG. In particular, the increase in European demand is due to the conflict
14 in Ukraine as many countries are now reducing or eliminating their imports of Russian
15 gas and seeking replacement supplies from U.S. sourced LNG.

16 Contributing to the increased demand for LNG is a lag in U.S. gas production. Many
17 producers, wary of the boom / bust cycles of the past, are now more conservative and less
18 flexible in their capital spending budgets that in the past. This has prevented new supplies
19 from keeping up with increases in demand. Lastly the ability to move increased
20 production to market through new pipeline expansion has been slowed by increased
21 environmental scrutiny of pipeline expansion projects on both the federal and state level,

1 including recent FERC initiatives to consider the impact of carbon emissions caused by
 2 pipeline expansion.

3 **Q. When were the initial 2022 Summer Season COG rates established?**

4 A. Initial Summer Season COG rates were established in Northern’s annual COG filing
 5 submitted on September 17, 2021. The commodity component of these rates was largely
 6 based on NYMEX prices as of September 14, 2021.

7 **Q. How have NYMEX prices changed since that time?**

8 A. I provide Figure 1 below to show the extent of NYMEX price increases since the initial
 9 COG filing. As Figure 1 illustrates, compared to the NYMEX strip prices used in the
 10 prior COG filings, NYMEX prices for June 10, 2022 are more than twice as high as those
 11 in the initial COG filing and approximately 25% higher than those used in the May 10,
 12 2022 amended COG filing.

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| FIGURE 1 | | NYMEX Strip Prices - per Dth | | | | | |
|-----------------------------|------------|------------------------------|--------|--------|--------|-----------|---------|
| | NYMEX Date | May | June | July | August | September | October |
| Rate Used in 9/17/21 Filing | 09/14/21 | \$3.81 | \$3.84 | \$3.87 | \$3.88 | \$3.86 | \$3.89 |
| Rate Used in 4/22/22 Filing | 04/21/22 | \$6.96 | \$7.10 | \$7.19 | \$7.19 | \$7.14 | \$7.16 |
| Rate Used in 5/10/22 Filing | 05/09/22 | \$7.27 | \$7.03 | \$7.11 | \$7.09 | \$7.05 | \$7.05 |
| Rate Used in 6/13/22 Filing | 06/10/22 | \$7.27 | \$8.91 | \$8.85 | \$8.87 | \$8.85 | \$8.85 |

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16 **Q. What is the impact on the Summer Season ending balance when using the June 10,**
 17 **2022 NYMEX prices?**

1 **A.** Based on the June 10th prices, Northern projects an approximate \$1.06 million under-
2 collection of gas costs. This projected under-collection represents 12.4% of total
3 projected summer season gas costs. A summary of the projected costs, revenues and
4 ending season balances is provided in Attachment 1. Monthly costs and revenues are
5 provided in Attachment 2. Lines 41 through 50 of Attachment 2 show the impact on
6 commodity costs resulting from changes in NYMEX prices

7 **Q.** **How does the recovery of the \$1.06 million impact COG rates?**

8 **A.** As shown on Line 45 of Attachment 1, if the rate is adjusted to recover the entire under-
9 recovered amount beginning on July 1st, the impact on COG rates would be an increase
10 of \$0.1847 per therm for all rate classes. If the recovery does not start until August, the
11 increase in COG rates would be \$0.2272 per therm as shown on Line 49 of Attachment 1.
12 However, as previously mentioned, if rates are not approved for effect by July 1st, the
13 COG rates effective August 1st will be updated in July to reflect more recent NYMEX
14 prices.

15 **Q.** **What is the bill impact on a residential heating customer due to the proposed**
16 **increase in COG rates?**

17 **A.** I have provided Attachment 3 which provides the rate impacts resulting from the
18 proposed change in COG rates. As Page 1 of this Attachment shows, if approved for July
19 1st, a typical residential heating customer will pay \$11.33 or 3.32% more over the
20 remainder of the Summer Season when compared to the bill at the Company's current

1 COG rate. Customers will experience a similar increase if the COG rates are approved for
2 August 1st.

3 **Q. Does Northern propose to reinstate the preapproved bandwidth that allows COG**
4 **rates to increase by up to 25% and decrease by any amount without additional**
5 **Commission approval?**

6 A. Yes. Due to the volatile nature of NYMEX prices this year, Northern requests that the
7 bandwidth be reinstated to in order to allow the Company to adjust rates in a more
8 expeditious manner. Reinstating the bandwidth will allow the Company to adjust rates
9 more efficiently and with greater regulatory certainty.

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

11 A. Yes it does.