

NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2023/OCTOBER 2024 ANNUAL COST OF GAS
ADJUSTMENT FILING
PREFILED TESTIMONY OF
S. ELENA DEMERIS

1 **I. INTRODUCTION**

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

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

5
6 **Q. For whom do you work and in what capacity?**

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

15
16 **Q. Please summarize your professional and educational background.**

17 A. In 1996, I graduated from the University of Massachusetts - Lowell with a Bachelor’s of
18 Science Degree in Civil Engineering. In 2005, I earned a Master’s Degree in Business
19 Administration and in 2006 a Master’s Degree in Finance from Southern New Hampshire
20 University. I joined Unitil in July 1998 in the regulatory/rate department.

1 **II. PURPOSE OF TESTIMONY**

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

3 A. The purpose of my testimony is to introduce and describe Northern's (or "the Company")
4 proposed changes to its Local Delivery Adjustment Charges ("LDAC"). Northern is
5 proposing changes to its LDAC for effect November 1, 2023 for the following
6 components: Gas Assistance Program ("GAP"), Environmental Response Cost ("ERC")
7 Rate, Rate Case Expense ("RCE"), Reconciliation of Permanent Changes ("RPC") in
8 Distribution Rates, Property Tax Adjustment Mechanism ("PTAM") and Regulatory
9 Assessment Adjustment Mechanism ("RAAM"). Northern is not proposing to change
10 the following LDAC components: Interruptible Transportation Margin ("ITM")¹ and
11 Energy Efficiency Charge ("EEC"). The Company will file a proposed January 1, 2024
12 EEC on December 1, 2023 in accordance with HB 549. My testimony also discusses the
13 impact the proposed cost of gas ("COG") and LDAC rate changes have on customer bills
14 during the 2023-2024 Winter and 2024 Summer Seasons.

15

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

17 A. The Company is submitting for approval a proposed LDAC of \$0.0883 per therm for the
18 Residential Class and \$0.0362 per therm for the Commercial/Industrial (C&I) Class
19 effective November 1, 2023 through October 31, 2024. The proposed rates are included
20 on the Eleventh Revised Tariff Page 62, superseding the Tenth Revised Tariff Page 62.

¹ The Company did not provide Interruptible Transportation service during the past year, has not provided this service for many years and does not expect to provide any in the upcoming year. Therefore, Northern has not credited any actual or expected interruptible margins back to customers.

1 The table below summarizes the rate changes proposed in this filing. Residential
2 customers will see a decrease of \$0.0988. in LDAC charges. C&I customers will see a
3 decrease in LDAC charges of \$0.0141.

Charge	Current \$/therm	Proposed \$/therm	Difference
GAP	\$0.0037	\$0.0061	\$0.0024
LRR – Residential	\$0.0000	\$0.0000	\$0.0000
ERC	\$0.0058	\$0.0023	(\$0.0035)
RCE	\$0.0048	\$0.0000	(\$0.0048)
RPC – Residential	\$0.1206	\$0.0269	(0.0937)
PTAM	\$0.0000	\$0.0000	\$0.0000
RAAM	\$0.0002	\$0.0010	\$0.0008
Total Difference Residential	\$0.1871	\$0.0883	(\$0.0988)
Charge	Current \$/therm	Proposed \$/therm	Difference
GAP	\$0.0037	\$0.0061	\$0.0024
LRR – C&I	\$0.0000	\$0.0000	\$0.0000
ERC	\$0.0058	\$0.0023	(\$0.0035)
RCE	\$0.0048	\$0.0000	(\$0.0048)
RPC – C&I	\$0.0101	\$0.0011	(\$0.0090)
PTAM	\$0.0000	\$0.0000	\$0.0000
RAAM	\$0.0002	\$0.0010	\$0.0008
Total Difference C&I	\$0.0503	\$0.0362	(\$0.0141)

4
5 **III. DISCUSSION OF RATE CHANGES BY LDAC COMPONENT**

6 **Q. Please describe the purpose of the GAP.**

7 A. The purpose of this rate is to allow the Company to recover revenue discounts associated
8 with customers participating in the GAP, as well as the associated administrative costs of
9 that program, pursuant to the Commission’s Order in Docket No. DG 05-076. The GAP
10 recovers a 45% discount to both distribution and supply rates, excluding the LDAC,
11 during the winter period only, in accordance with the Commission’s Order in Docket DG

1 20-013, effective November 1, 2020. The GAP rate is charged on all sales and delivery
2 only services billed under the Company's rate schedules.

3
4 **Q. Please describe the proposed change to the GAP rate.**

5 A. Northern is proposing to increase the GAP rate from \$0.0037 to \$0.0061 per therm
6 effective November 1, 2023.

7
8 **Q. Could you describe the derivation of the proposed GAP rate?**

9 A. The GAP rate is derived by estimating the Company's Gas Assistance Program costs
10 from November 1, 2023 through October 31, 2024, and the total account ending balance
11 as of October 31, 2023, based on actual data through July, 2023 and estimated data from
12 August 1, 2023 to October 31, 2023. As shown on Attachment NUI-SED-1 GAP, Page 1
13 of 3, Line 12, total estimated costs are \$350,372. Lines 1-7 provide the derivation of the
14 average per customer subsidy.

15 Lastly, the projected October 31, 2023 ending balance of the GAP is an under-collection
16 of \$96,414, as shown on Attachment NUI-SED-1 GAP, Page 2 of 2. The total recovery
17 amount, \$446,786, is shown on Page 1 of 2, line 15, of Attachment NUI-SED-1 GAP,
18 and is divided by estimated weather-normalized firm therm sales billed to customers for
19 the twelve-months ended October 31, 2024 to derive the proposed GAP charge of
20 \$0.0061 per therm shown on Page 1 of 3, line 21.

21

1 **Q. Does the proposed rate exceed the program cost or bill impact thresholds**
2 **established in Order No. 26,397, issued August 27, 2020 in Docket DG 20-013?**

3 **A.** No, it does not. The thresholds established in Order No. 26,397 are (1) GAP overall
4 program costs exceed one percent of a utility's gross (annual) revenue; and (2) GAP
5 overall program costs exceed one percent of the typical residential heating customer's
6 total annual bill. (1) Projected gross revenue, based on the year-to-date dollar per therm
7 times the November 2023 – October 2024 therm sales forecast of 73,413,874 results in an
8 estimated gross revenue of \$89,564,926. GAP projected program subsidies represent
9 0.39% of the estimated gross revenue. (2) As shown on Attachment NUI-SED-3, Page 1
10 of 18, the typical residential heating customer's annual bill for the November 2023 –
11 October 2024 period is \$1,318.72. Of that amount \$3.65 or 0.28% is attributable to the
12 GAP.

13
14 **Q. Please explain the purpose of the LRR?**

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

19
20 **Q. What changes are being proposed to the LRR?**

21 **A.** The Company is proposing a rate of \$0.0000 for all classes effective November 1, 2023.
22 In its Distribution Rate Case, DG 21-104 the Commission approved Northern's revenue

1 decoupling mechanism. Therefore, lost revenue ceased to accrue in July 2022 with a
2 nominal remaining balance. In the 2022 Annual Report filed on June 1, 2023 the
3 Company reconciled 2022 lost revenue with actual plan savings and proposed to recover
4 the ending balance in the RAAM.

5
6 **Q. Please explain the purpose of Northern’s ERC.**

7 **A.** The purpose of the ERC is to recover expenditures associated with remediation of former
8 manufactured gas plants. The ERC is applied to all gas sales and delivery service billed
9 under the Company’s sales and delivery service rate schedules. The costs submitted for
10 recovery through the ERC recovery mechanism are presented in the ERC Filing
11 submitted in this docket under separate cover. The environmental investigation and
12 remediation costs that underlie these expenses are the result of efforts by the Company to
13 respond to its legal obligations at a site located in Rochester, New Hampshire. In total,
14 the Company has incurred environmental remediation costs of \$33,800 from July 2022
15 through June 2023. A summary sheet and detailed backup spreadsheets supporting 2022-
16 2023 costs are provided in the ERC Filing.

17
18 **Q. Please describe the change to Northern’s ERC rate that is proposed for effect**
19 **November 1, 2023.**

20 **A.** The current ERC rate is \$0.0058 per therm. Northern proposes to decrease this rate to
21 \$0.0023 per therm.

1 **Q. Please explain the calculation of the proposed ERC rate.**

2 A. As stated above, during the period July 1, 2022 through June 30, 2023, ERC expenses
3 totaled \$33,800. Northern is allowed to recover one-seventh of the actual response costs
4 incurred by the Company in a twelve-month period ending June 30 of each year until
5 fully amortized over seven years, plus any insurance and third-party expenses for the
6 year. Due to the amortization of these costs, the ERC rate in this filing includes the
7 current year (\$33,800 divided by 7, or \$4,829) and six prior years of unamortized
8 amounts. Any insurance and third-party recoveries or other credits for the year are used
9 to reduce the unamortized balance. The total ERC cost to be recovered, \$116,901, is
10 shown in the following table and on Page 1, Line 13, of Attachment NUI-SED-2 ERC
11 (this schedule is also Schedule 1 submitted by the Company in the Environmental
12 Response Cost filing).

1/7 ERC costs incurred July 2022 – June 2023	\$4,829
1/7 ERC costs incurred July 2021 – June 2022	\$6,919
1/7 ERC costs incurred July 2020 – June 2021	\$16,894
1/7 ERC costs incurred July 2019 – June 2020	\$11,024
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
Total	\$116,901

13
14 In addition, the ERC rate includes the prior period reconciliation of ERC costs. The
15 October 31, 2023 ending balance is estimated to be an under collection of \$51,408, as
16 shown on Attachment NUI-SED-1 ERC Page 2 of 2. Total ERC costs to be recovered for
17 the period of November 2023 through October 2024 are \$168,309. Dividing the

1 recoverable ERC costs by projected total annual sales of 73,413,874 therms results in an
2 ERC rate of \$0.0023 per therm. This calculation is illustrated in Attachment NUI-SED-2
3 ERC, Page 1 of 2.

4
5 **Q. Please explain the purpose of the RCE?**

6 **A.** The purpose of this provision is to establish a procedure that allows Northern Utilities to
7 adjust its rates for the recovery of NHPUC-approved rate case expenses. These expenses
8 were recovered over a 12-month period, November 2022 – October 2023.

9 **Q. Is the Company proposing an RCE effective November 1, 2023**

10 **A.** Yes, the Company is proposing an RCE of \$0.0000 per therm, a reduction of \$0.0048
11 from the current RCE.

12
13 **Q. Please explain how the Company proposes to recover the RCE ending balance.**

14 **A.** The Company proposes to collect the balance remaining on October 31, 2023 in the
15 RAAM. Please see page 5 of Attachment NUI-SED-1 RAAM for the reconciliation of
16 the RCE through October 31, 2023. As shown, the ending balance is an under-collection
17 of \$47,380.

18
19 **Q. Please explain the purpose of the RPC?**

20 **A.** The purpose of this provision is to establish a procedure that allows Northern Utilities to
21 adjust its rates for the reconciliation of revenues related to a permanent change in the

1 Company's distribution service rates implemented subsequent to the effective date of
2 such change. This provision includes the reconciliation for the difference in revenues
3 charged under temporary versus permanent rates. The RPC will be recovered over a 12-
4 month period, November 2022 – October 2023, per the Settlement Agreement approved
5 in DG 21-104.
6

7 **Q. What is the status of the RPC recovery?**

8 **A.** Attachment SED-1 RPC, page 2, provides the reconciliation of RPC costs and revenues
9 for the November 2022 – October 2023 period, by residential and general service classes.
10 As shown on lines 9 and 18 the ending balances are \$508,353 and \$57,393 for the
11 residential and general service classes, respectively. The under-collection is due to lower
12 actual therm sales in the recovery period than forecasted them sales.
13

14 **Q. Is the Company proposing a change to the RPC effective November 1, 2023?**

15 **A.** Yes, based on the status of the reconciliation and the sizeable ending balances the
16 Company proposes to continue the RPC effective November 1, 2023 through October 31,
17 2024. Proposed RPC for the residential classes is \$0.0269 per therm, a reduction of
18 \$0.0937 over the current rate and, for the general service classes \$0.0011 per therm, a
19 reduction of \$0.0091 per therm.
20
21
22

1 **Q. Please explain the calculation of the proposed RPC rate.**

2 **A.** Attachment NUI-SED-1 RPC, page 1 provides the calculation of the proposed rate. Page
3 2 provides a reconciliation of the RPC revenues. Pages 3 and 4 provide the derivation of
4 the revenue shortfall associated with the change in distribution rates over the October
5 2021 through July 2022 period and the original RPC calculation for rates effective
6 November 1, 2022.

7
8 **Q. Please explain the purpose of the PTAM?**

9 **A.** The purpose of this provision is to establish a procedure that allows Northern Utilities to
10 recover the increase in local property tax expense associated with HB 700 and RSA 72:8-
11 d and -e. Please see the Testimony and Schedules of Daniel Nawazelski for a detailed
12 analysis of the property tax proposed for recovery in the PTAM effective November 1,
13 2023.

14
15 **Q. Please explain the calculation of the proposed PTAM rate.**

16 **A.** Attachment NUI-SED-1 PTAM provides the calculation of the PTAM for effect
17 November 1, 2023. Page 1 provides the calculation of the proposed rate. The property tax
18 for the period, as shown in Schedule DTN-1, plus the prior period over/under collection,
19 is offset by Excess Accumulated Deferred Income Tax resulting in a proposed recovery
20 of \$0, and a balance remaining Excess Accumulated Deferred Income Tax of \$2,329.
21 Therefore, the PTAM rate proposed for November 1, 2023 is \$0.0000 per therm. Page 2

1 provides a reconciliation of the prior period and support for the ending balance shown on
2 Page 1, line 2.

3
4 **Q. Please explain the purpose of the RAAM?**

5 **A.** The purpose of the RAAM is to establish a procedure that allows Northern to recover
6 changes in the annual PUC Regulatory Assessment.

7
8 **Q. What changes are being proposed to the RAAM?**

9 **A.** The current RAAM is \$0.0002. Northern is proposing a RAAM of \$0.0010 effective
10 November 1, 2023, an increase of \$0.0008 based on a Non-Distribution Regulatory
11 Assessment of \$5,852, and, as discussed above, the Lost Revenue ending balance of
12 \$35,067, the 2023 Rate Case Expense ending balance of \$47,380, and a prior period
13 over-collection of \$17,687.

14
15 **Q. Please explain the calculation of the proposed RAAM rate.**

16 **A.** See Attachment NUI-SED-1 RAAM. Page 1 of 6 provides the calculation of the
17 proposed rate. As shown on line 5, total recoverable expense is \$70,612, divided by the
18 forecasted sales over the November 1, 2023 through October 31, 2024, 73,413,874,
19 results in a rate of \$0.0010. Page 2 of 6 provides a reconciliation of the current period
20 and support for the prior period ending balance, Page 1, line 3. Page 3 provides a forecast
21 reconciliation of the upcoming rate period. Page 4 provides support for the Non-
22 Distribution portion of the Regulatory Assessment. Based on the latest Regulatory

1 Assessment invoice dated November 15, 2022, the Non-Distribution portion of the
2 Regulatory Assessment is \$5,852. Pages 5 and 6 provide supporting documentation for
3 the RCE and LRR balances included in the total expense to be recovered.

4
5 **Q. Have you prepared typical bill analyses showing the impacts of the proposed COG**
6 **and LDAC rate changes for effect on November 1, 2023 for typical Residential**
7 **heating customers over the upcoming Winter Season?**

8 A. Yes, Attachment NUI-SED-3, page 1 provides the analyses. It shows that a typical
9 Residential heating customer consuming 488 therms during the 2023/2024 Winter Season
10 can expect a bill of \$1,004.32. This is a decrease of \$159.91, or 13.7% compared to the
11 2022/2023 Winter Season bill with the same consumption. Please note that all bill
12 impacts include the RDAC charges proposed for effect November 1, 2023, filed today
13 under separate docket.

14
15 **Q. Have you prepared typical bill analyses showing the impacts of the proposed COG**
16 **and LDAC for effect on May 1, 2024 for typical Residential heating gas customers**
17 **over the next Summer Season?**

18 A. Yes, Attachment NUI-SED-3, page 10 provides this analysis. It shows that a typical
19 residential heating customer consuming 111 therms during the 2024 Summer Season can
20 expect a bill of \$314.46. This is an increase of \$16.52, or 5.54% compared to the 2023
21 Summer Season bill with the same consumption.

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

2 **A. Yes, it does.**