STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILIITES COMMISSION

Docket No. DG 24-102
Northern Utilities Inc.
Petition for Approval of 2024-2025 Winter and 2025 Summer Cost of Gas
[COG Supply and LDAC]

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October 18, 2024

The New Hampshire Department of Energy ("DOE" or the "Department") submits this technical statement in compliance with the Public Utilities Commission's ("PUC" or the "Commission") Commencement of Adjudicative Proceeding and Notice of Hearing dated September 24, 2024 in Docket No. DG 24-102. The purpose of this statement is to provide the Commission with the information and framework that support the DOE's position in advance of the hearing scheduled for October 24, 2024, to review Northern's proposed Cost of Gas (COG) and Local Delivery Adjustment Charges (LDAC).

As explained below, after review and analysis, the DOE recommends that the Commission approve Northern's proposed Winter 2024-2025 rates to be effective November 1, 2024, and Summer 2025 rates to be effective May 1, 2025, with Revenue Decoupling Adjustment Factor (RDAF) rates that are consistent with the Parties' Settlement Agreement in Docket No. DG 21-104. *See Settlement Agreement* (May 2022) Exhibit 13 (hereinafter "S/A") and Order 26,650 (July 20, 2022) at 4-6 (approving Settlement Agreement) in this docket.

I. Background

Northern Utilities, Inc. ("Northern" or "the Company") filed its petition on September 17, 2024. Northern's petition for Winter and Summer rates includes both the proposed COG and the proposed LDAC. As filed, Northern's proposed per-therm rates and bill impacts include a Revenue Decoupling Adjustment Factor (RDAF) rate that "waives" settlement terms that impose a cap on Revenue Decoupling Adjustment (RDA) recovery equivalent to 4.25% of distribution revenues and provides for specific treatment of any deferred balances at the next rate case. See S/A; Order No. 26,650 at 4-6; Docket No DG 24-103 Northern's Petition. The Department issued one set of Data Requests (DRs) on September 23, 2024. The responses to the DRs were received on October 3 and October 4, 2024. A technical session was held on October 10, 2024, where the Company notified the parties that it expected to file a supplemental filing due to an update in the Company's demand cost projection. The Company submitted the supplemental filing on October 11, 2024.

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The Department considers all information received and strives to be as complete as possible in its analysis given the short review period available. The Department's position in this Technical Statement is subject to possible modification stemming from the DOE Final Audit Reports for both Northern's Winter 2023-2024 Reconciliation and its Summer 2024 Reconciliation; and Reconciliation of LDAC components from 2023-2024. As these reports were received late in the day on October 17, 2024, a review of those reports and any potential issues raised in them is not reflected in this Technical Statement.

II. Filing Facts and DOE Analysis

1. Therm Sales Projection

The Company's projected total sales for the Winter 2024-2025 (i.e., November 1, 2024, to April 30, 2025) period is 33,352,349 therms, of which 16,330,360 (48.96%) is for residential, and 17,021,989 (51.04%) is for the commercial and industrial (C&I) sector. When compared to the total Winter 2023-2024 projected sales of 32,992,252, the projected sales for this winter period represent an increase of 360,097 therms.

The projected total sales for the Summer 2025 (i.e., May 1, 2025, to October 31, 2025) period for Northern is 7,979,183 therms, of which 3,449,632 (43.23%) is for residential, and 4,529,551 (56.77%) is for C&I sector. When compared to the total Summer 2024 projected sales of 7,054,322, the projected sales for the upcoming Summer period represent an increase of 924,861 therms.

Overall, for the 2024-2025 season, including both the Winter and Summer Periods, the total projected therm sales figure is 41,331,532 with a sectoral split of 19,779,992 (47.86%) for residential and 21,551,540 (52.14%) therms for C&I customers. The overall seasonal projected therm sales figure increased by 1,284,958 therms (3.21%) as compared to 2023-2024 season.

2. COG (Supply) Rates

Proposed Winter COG Rates

As filed by Northern, the proposed Winter 2024-2025 rates are as follows[1]:

Table 1: Proposed COG Rates for Winter 2024-2025

Sector	Beginning Period (per therm rate)	Maximum Rates
Residential (Heating and Non-Heating)	$0.6883	$0.8604
C&I - HLF[2] (Low Winter Use)	$0.6426	$0.8033

[1] The Department reviewed the calculations for proposed COG rates as presented and generally concurs with the calculation methodologies used to devise the proposed rates.
[2] HLF stands for High Load Factor and C&I - HLF includes G-50, G-51 and G-52 rate classes.

Sector	Beginning Period (per therm rate)	Maximum Rates
C&I - LLF[3] (High Winter Use)	$0.6974	$0.8718

Table 2: Comparison between Proposed Winter 2024-2025 COG Rates and Weighted Average Winter 2023-2024 COG Rates[4]

Sector	Proposed 2024-2025 COG Rates (per therm)	Weighted Average 2023-2024 COG Rates (per therm)	% Change
Residential Heating (R-5, R-10)	$0.6883	$0.6900	(0.25%)[5]
Residential Non-Heating (R-6)	$0.6883	$0.6926	(0.62%)
C&I - LLF (High Winter Use) (G-40)	$0.6974	$0.7012	(0.55%)
C&I - LLF (High Winter Use) (G-41)	$0.6974	$0.7018	(0.62%)
C&I - LLF (High Winter Use) (G-42)	$0.6974	$0.7048	(1.05%)
C&I - HLF (Low Winter Use) (G-50)	$0.6426	$0.6262	2.63%
C&I - HLF (Low Winter Use) (G-51)	$0.6426	$0.6259	2.67%
C&I - HLF (Low Winter Use) (G-52)	$0.6426	$0.6296	2.06%

As indicated in Table 2, the proposed residential Winter 2024-2025 COG rates (for heating and non-heating customers) are slightly lower (ranging from 0.25% to 0.62%) than the Winter 2023-2024 weighted average rates. When compared to commensurate figures for C&I – LLF (high winter use) and C&I – HLF (low winter use), the proposed Winter 2024-2025 rates are lower (ranging from 0.55% to 1.05%) and higher (ranging from 2.06% to 2.67%) respectively.

<u>Proposed Summer COG Rates</u>

As proposed by the Company, the proposed Summer 2025 rates are as follows:

Table 3: COG Rates for Summer 2025

Sector	Beginning Period (per therm rate)	Maximum Rates
Residential (Heating and Non-Heating)	$0.4166	$0.5208
C&I - HLF (Low Winter Use)	$0.3449	$0.4311
C&I - LLF (High Winter Use)	$0.4942	$0.6178

[3] LLF stands for Low Load Factor and C&I - LLF includes G-40, G-41 and G-42 rate classes.
[4] The rates displayed in Table 2 are only the COG rates and do not contain other rate components, such as LDAC or RDAF.
[5] Any value in parenthesis indicates a negative value.

Table 4: Comparison between Proposed Summer 2025 COG Rates and Weighted Average Summer 2024 COG Rates[6]

Sector	Proposed 2024-2025 COG Rates (per therm)	Weighted Average 2024 COG Rates (per therm)	% Change
Residential Heating (R-5, R-10)	$0.4166	$0.3185	30.79%
Residential Non-Heating (R-6)	$0.4166	$0.3144	32.51%
C&I - LLF (High Winter Use) (G-40)	$0.4942	$0.3704	33.42%
C&I - LLF (High Winter Use) (G-41)	$0.4942	$0.3646	35.53%
C&I - LLF (High Winter Use) (G-42)	$0.4942	$0.3543	39.49%
C&I - HLF (Low Winter Use) (G-50)	$0.3449	$0.2455	40.48%
C&I - HLF (Low Winter Use) (G-51)	$0.3449	$0.2446	41.00%
C&I - HLF (Low Winter Use) (G-52)	$0.3449	$0.2414	42.90%

As indicated in Table 4, the proposed residential Summer 2025 COG rates (for heating and non-heating customers) are higher (ranging from 30.79% to 32.51%) than the Summer 2024 weighted average rates. For C&I – LLF (high winter use) class, the proposed Summer 2025 rates are higher ranging from 33.42% to 39.49%. For C&I – HLF (low winter use) class, the proposed Summer 2025 rates are higher ranging from 40.48% to 42.90%.

3. Proposed LDAC Rates

The proposed COG Season 2024-2025 (i.e., November 2024 to October 2025) LDAC rates are as follows:[7]

Table 5: LDAC Rates

Beginning Period (per therm rate)	Proposed LDAC Rates 2024-2025 Season	Current LDAC Rates[8]	% Change
Residential (Heating and Non-Heating)	$0.0649	$0.0908	(28.52%)
C&I (Small, Medium, Large)	$0.0374	$0.0375	(0.27%)

As shown in Table 5, the LDAC portion of the proposed rates (as compared to the current approved rates) decreases by 28.52% for residential customers and by 0.27% for the C&I customers.

[6] The rates displayed in Table 4 are only the COG rates and do not contain other rate components, such as LDAC or RDAF.

[7] The Department reviewed the calculations for proposed LDAC rates as presented and generally concurs with the calculation methodologies used to devise the proposed rates.

[8] This LDAC rate was effective as of January 1, 2024, which reflects updated Energy Efficiency Charge (EEC) for Callender Year 2024 per HB549 (codified in RSA 374:F-3, VI-a, (d)).

~~4.~~ Bill Impacts

Table 6: Winter and Summer Bill Impacts

Rate Class	Winter				Summer			
	Therm Use	Total Bill 2024-25	$ Change (as compared to 2023-24)	% Change	Therm Use	Total Bill: 2024-25	$ Change (as compared to 2023-24)	% Change
R-5 (Residential-Heating)	494	$985.02	($12.69)[9]	(1.29%)	105	$289.52	$4.72	1.70%
R-6 (Residential Non-Heating)	111	$385.92	$3.65	0.95%	53	$241.40	$7.83	3.35%
G-40 C&I – Low Annual/High Winter Use	1,576	$2,067.46	($5.86)	(0.28%)	245	$682.86	$40.12	6.24%
G-41 C&I – Medium Annual/High Winter Use	16,223	$18,216.80	($68.37)	(0.38%)	3,566	$4,418.24	$604.24	15.84%
G-42 C&I – High Annual/High Winter Use	119,072	$123,575.64	($858.10)	(0.69%)	36,538	$36,987.09	$6,569.50	21.60%
G-50 C&I – Low Annual/Low Winter Use	1,153	$1,522.42	$20.79	1.38%	926	$1,057.51	$102.13	10.69%
G-51 C&I – Medium Annual/Low Winter Use	10,685	$10,394.06	$195.92	1.92%	7,391	$5,534.12	$821.86	17.44%
G-52 C&I – High Annual/Low Winter Use	273,091	$240,008.78	$3,992.29	1.69%	224,104	$119,972.53	$25,645.54	27.19%

As shown in Table 6, the typical bill impact over the Winter 2024-2025 season represents a reduction for residential heating customers and an increase for residential non-heating customers while it appears to be an increase for both residential classes in the Summer 2025 period.

The bills for C&I high winter use customers are projected to be going down, and the bills for the C&I low winter use customers are projected to increase over the Winter 2024-2025 season. The

[9] Any value in parenthesis indicates a negative value.

bills for both high winter use and low winter use C&I customers are anticipated to increase over the Summer 2025 season.

III. Revenue Decoupling Adjustment Factor (RDAF) Recovery (contingent)

The Department notes that the RDAF recovery proposed by Northern in this docket is contingent upon the resolution of Docket No. DG 24-103 where the Company requested a waiver of the 4.25% cap on Revenue Decoupling Adjustment (RDA) recovery and RDA collection over 24 months. The Department filed a motion on October 15, 2024, requesting the Commission carve-out Northern's request for waiver of the 4.25% cap on RDA recovery. This motion is currently pending. In this docket, the Company calculated the bill impact using the RDAF rate assuming the Commission approved their waiver request in Docket No. DG 24-103.[10] Please note that the Bill Impacts presented in Table-6[11] are based on the RDAF rates that are consistent with the Commission approved settlement agreement in Docket No. DG 21-104 and are the rates which the Department recommends the Commission approve.

IV. COG Over/Under Collection Calculation

For the 2024-2025 COG season, the Company identified a prior period under-collection of $197,877. This included a prior winter period under-collection of $287,155 and a summer period over-collection of $89,278.

The Company uses a 2% threshold for Winter (peak) months and a 4% threshold for Summer (off-peak) months to initiate a trigger filing. That is, in any given period (i.e., summer or winter), if the variance between the estimated end of period balance and targeted end of period balance is beyond the threshold percentage, the Company submits a trigger filing proposing a rate change. This adjustment mechanism is instituted to keep the over/under-collection within a reasonable bound and to avoid an unwanted price shock to customers. This adjustment mechanism seems to be working effectively.

V. Empress Capacity Agreement

In August of 2023, Northern entered into a series of agreements with PNGTS and TransCanada:

1. Gas Transportation Contract for Firm Transportation Service between Portland Natural Gas Transmission System and Northern Utilities, Inc. dated August 22, 2023 (PNGTS Agreement);
2. 2024 Precedent Agreement between TransCanada Pipelines Limited and Northern Utilities, Inc. dated August 21, 2023 (2024 TCPL PA);
3. Firm Transportation Service Contract between TransCanada Pipelines Limited and Northern Utilities, Inc. dated August 21, 2023 (TCPL Agreement); and

[10] *See* Exhibit 2 at Bates p. 000074 and p. 0000307 through 0000324.
[11] *See* Exhibit 9 (DOE 1-2 Response in DG 24-103) at Bates p. 000001 through 000024.

4. Precedent Agreement between Northern Utilities, Inc., and TransCanada Pipelines Limited dated August 21, 2023 (2027 TCPL PA).[12]

Collectively these agreements are known as the Empress Capacity Agreements and the agreements collectively established the Empress Capacity path transporting natural gas from Empress, Alberta to Northern's interconnections with its affiliate, Granite State Gas Transmission.

In DOE DR 1-14, the Department asked the Company whether there were any amendments in Empress Capacity Agreements. In the response, the Company stated that there were amendments to the Firm Transportation Service Contract between TransCanada Pipelines Limited and Northern Utilities, Inc. dated August 21, 2023 (Agreement #3); and in the Precedent Agreement between Northern Utilities, Inc. and TransCanada Pipelines Limited dated August 21, 2023 (Agreement #4). The pre-filed testimony of Wells represented these amendments as "modifi[ng]" the "project scope for the underlying expansion facilities required for service commencing on November 1, 2027" to "reduce permitting risk and potentially reduce the overall cost of the project."[13] In addition, the pre-filed testimony of Wells stated that "TCPL also represented that it required additional time to refine the project scope and costs prior to seeking internal approvals, and that it had secured an extension of the operational agreement necessary to continue service under the TCPL Agreement for the additional period of time."[14] "TCPL and Northern agreed to amend the TCPL Agreement and the 2027 TCPL PA, allowing for a change in the expected in-service date of permanent facilities from November 1, 2027 to November 1, 2029 without any interruption of firm service . . . "[15] Lastly, Mr. Wells concluded that "these amendments do not result in any disruption to the firm service obligations under the Empress Capacity Agreements, do not affect pricing under the Agreements; and do not extend the combined term of the Agreements beyond the 30-year period previously approved by the Commission."[16]

The volumes available to the Company and the price paid by the Company under the Agreements remain unchanged during the full 30-year period. As such, there is no impact to Northern's customers as a result of the Amendments. Furthermore, the change to the in-service date in the 2027 TCPL PA will result in a reduction to the near-term project expenditures, as shown on the updated exposure profile enclosed as Attachment 4 to the Company's July 1, 2024, letter in DG 23-087.[17]

In DOE DR 1-12, the Department asked the Company to provide a description and relevant analysis on how the Empress Capacity Agreements are affecting the demand and supply costs of the forecasted rates for 2024-2025 COG season. The Company responded that:

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[12] Exhibit-2 (Pre-filed Testimony of Francis W. Wells) at Bates p. 000049 -000051.
[13] Exhibit-2 (Pre-filed Testimony of Francis X. Wells) at Bates p. 000050, lines 17 – 20.
[14] Exhibit-2 (Pre-filed Testimony of Francis X. Wells) at Bates p. 000050, lines 20 – 23.
[15] Exhibit 2 (Pre-filed Testimony of Francis X. Wells) at Bates p. 000050, lines 23 – 25, and Bates p. 000051, line 1.
[16] Exhibit 8 (DOE 1-14 Response) at Bates p. 000075-000076 and Exhibit 2 (Pre-filed Testimony of Francis X. Wells) at Bates p. 000051, lines 2-7.
[17] Confidential Exhibit 7 (DOE 1-17 Response) at Bates p. 000097-000101.

[redacted]

[redacted]

[redacted]

Based on the representation of the Company, the Department understands that the Empress Capacity Agreements have not negatively impacted COG rates for the 2024-2025 season.

Northern submitted its first quarterly report to the Department and the OCA for the second quarter of 2024 in docket DG 23-087 on June 7, 2024. This report incorporated information discussed during Company meetings regarding the Empress Capacity Project held in March, April, May, and June 2024. The Company submitted an update to the Public Utilities Commission on July 1, 2024, explaining certain amendments to the Empress Capacity Agreements, (as summarized above) and attaching the amendments for reference. The Company stated that it anticipates receiving an updated spend profile related to the Empress Capacity Project on or about October 7, 2024, and will file its report for the Third Quarter shortly thereafter.[21] That update has not yet been provided to the Department. The Company also made certain updates to what was filed in Docket No DG 23-087 as "CONFIDENTIAL Schedule A."

VI. COG Components

Throughout the November 2024 to April 2025 period, total projected adjusted direct and indirect supply Cost of Gas sendout is $22,957,669. The composition of this total projected cost is as follows:

[18] Confidential Exhibit 7 (DOE 1-12 Response) at Bates p. 000052.
[19] Confidential Exhibit 7 (DOE 1-12 Response) at Bates p. 000053.
[20] Confidential Exhibit 7 (DOE 1-12 Response) at Bates p. 000053.
[21] Confidential Exhibit 7 (DOE 1-17 Response) at Bates p. 000097-000099.

Table 7: Winter 2024-2025 COG Components

Category	Amount ($)[22]		% of Adjusted Total Winter Cost
Demand Cost	$	5,792,975	25.23%
Demand Capacity	$	17,169,362	74.79%
Supply Cost	$	6,998,660	30.49%
Commodity Cost	$	2,410,256	10.50%
Asset Management Credits	$	(10,452,218)	(45.53%)
Indirect Cost[23]	$	864,932	3.77%
Other Costs[24]	$	(11,487)	(0.05%)
Prior Period (Over)/Under-Collection	$	287,155	1.25%
Interest Adjustments	$	(101,966)	(0.44%)
Adjusted Total Winter Cost	$	22,957,669	100.00%

Over the May 2025 to October 2025 period, total projected adjusted direct and indirect supply Cost of Gas ("COG") sendout is $3,324,263. The composition of this total projected cost is as follows:

Table 8: Summer 2025 COG Components

Category	Amount ($)		% of Adjusted Total Summer Cost
Demand Cost	$	1,061,050	31.92%
Demand Capacity	$	545,719	16.42%
Supply Cost	$	1,727,181	51.96%
Commodity Cost	$	24,562	0.74%
Asset Management Credits		-	-
Indirect Cost[25]	$	143,537	4.32%
Other Costs		-	-
Prior Period (Over)/Under-Collection	$	(89,278)	(2.69%)
Interest Adjustments	$	(88,507)	(2.66%)
Adjusted Total Winter Cost	$	3,324,263	100.00%

Table 9: COG Components for 2024-2025 Season

[22] Any value in parenthesis indicates a negative value.

[23] Indirect costs (Winter) include: Working Capital Allowance of $42,988; Bad Debt Allowance of $113,655; Local Production and Storage Capacity Cost $214,538; and Miscellaneous Overhead Cost of $493,751.

[24] Other costs (Winter) include: Inventory Finance Charge of $13,513; and Re-entry Rate & Conversion Rate Revenues of $(25,000).

[25] Indirect costs (Summer) include: Working Capital Allowance of $6,457; Bad Debt Expense of $18,955; and Miscellaneous Overhead Cost of $118,124.

Category	Amount ($)	% of Adjusted Total Annual Cost
Demand Cost	$ 6,854,024	26.08%
Demand Capacity	$ 17,715,081	67.40%
Supply Cost	$ 8,725,841	33.20%
Commodity Cost	$ 2,434,818	9.26%
Asset Management Credits	$ (10,452,218)	(39.77%)
Indirect Cost	$ 1,008,468	3.84%
Other Costs	$ (11,487)	(0.04%)
Prior Period (Over)/Under-Collection	$ 197,877	0.75%
Interest Adjustments	$ (190,472)	(0.72%)
[redacted]	[redacted] [redacted]	[redacted]

VII. DOE Recommendations

In light of the current Winter 2024-2025 and Summer 2025 COG Season submission, the foregone DOE analysis, and subject to 2023-2024 Audit Reports, the Department recommends that:

- The Commission approve Winter COG and LDAC 2024-2025 rates to be effective November 1, 2024;

- The Commission approve Summer COG and LDAC 2025 rates to be effective May 1, 2025.

- That when approving these rates for effect November 1, 2024, the Commission rely on bill impact calculations that include RDAF rates consistent with the approved settlement agreement from DG 21-104.