NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2024/OCTOBER 2025 REVENUE DECOUPLING
ADJUSTMENT FACTOR FILING
PREFILED TESTIMONY OF
S. ELENA DEMERIS and DANIEL T. NAWAZELSKI

I. INTRODUCTION

Q. Please state your names and business address.

A. Our names are S. Elena Demeris and Daniel T. Nawazelski. Our business address is 6 Liberty Lane West, Hampton, New Hampshire.

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

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

Mr. Nawazelski: I am the Manager, Revenue Requirements, for Unitil Service. In this capacity I am responsible for the preparation and presentation of distribution rate cases and in support of other various regulatory proceedings.

Q. Please summarize your professional and educational background.

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

Mr. Nawazelski: I began working for Unitil Service in June of 2012 as an Associate Financial Analyst and have held various positions with increasing responsibilities leading to my current role of Manager of Revenue Requirements. I earned a Bachelor of Science degree in Business with a concentration in Finance and Operations Management from the University of Massachusetts, Amherst in May of 2012. I am also currently pursuing my Masters in Business Administration at the University of New Hampshire.

II. PURPOSE OF TESTIMONY

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

A. The purpose of our testimony is to describe and support Northern's (or "the Company") proposed Revenue Decoupling Adjustment Factor ("RDAF") for effect November 1, 2024.

Q. In the Company proposing any changes in this filing from the initial September 15, 2023 RDAF Filing?

A. Yes, in the instant filing the Company is seeking a waiver of the Revenue Decoupling Adjustment cap ("cap") and proposes to extend the recovery period by 12 months in order to mitigate rate impacts. The cap limits the Revenue Decoupling Adjustment amount eligible for recovery by 4.25% of distribution revenues. In its next RDAF filing the Company will assess the recovery and propose to adjust rates as appropriate.

Q. Why is the Company seeking a waiver of the cap?

A. The Company is concerned with the level of deferrals and carrying charges associated with capped recovery. The Company is cognizant of the fact that the terms of the Settlement Agreement, agreed to by all parties, includes a cap on the amount eligible for recovery as part of the annual RDAF filings. However, the level of deferrals experienced thus far, a result of warmer than expected winter weather, lower sales volumes and increased carrying charge rates, was not anticipated. The Company believes seeking a waiver of the cap is the best way to address these issues and is in customers best interest.

Q. Are there any benefits to customers under this proposal?

A. Yes. Under this proposal there will be a significant reduction to interest charges that otherwise would result from carrying the deferral balance for another year before possibly having the ability to recover it. Based on the current prime interest rate of 8.50%, the rate used in the RDAF reconciliation, uncollected interest on the total October 2025 deferral balance of $7,675,722 is approximately $652,400.

Q. Did the Company calculate the Revenue Decoupling Adjustment ("RDA") consistent with the Settlement Agreement and the Commission's Order in DG 21-104?

A. Yes. As described later in my testimony, the calculation of the RDA and decoupling structure is entirely consistent with the Settlement Agreement and Commission's Order in DG 21-104, which provided for the implementation of a Revenue Per Customer ("RPC") decoupling model. The full amount of the RDA, including the decoupling carry-forward balance is what the Commission approved in Order No. 26,650 and is in accordance with the Company's approved tariff. The Company is fully entitled to recover the applicable carry-forward balance at the time of the next rate case, consistent with the Settlement Agreement. In the instant docket the Company is requesting a waiver of that provision for the reasons described herein.

Q. Have other Local Distribution Companies ("LDCs") in New England requested waivers of the imposed caps within their respective RPC decoupling filings?

A. Yes. In Massachusetts, LDCs approved RPC decoupling models incorporate revenue decoupling caps equal to three percent of total revenues from firm sales and firm transportation throughput. Most recently, National Grid has requested waivers of their decoupling caps for the past two years in D.P.U. 24-108 and D.P.U. 23-78 citing the impacts of warmer-than-normal weather and impacts of weather-normalized usage in the wake of the COVID-19 pandemic. The Company's Massachusetts's peer affiliate, Fitchburg Gas and Electric Light Company also requested a waiver of its decoupling cap in its most recent filing in D.P.U. 24-118. The Company appreciates that Northern operates within New Hampshire where the decisions made in Massachusetts have no authority. The Company instead brings up these filings to shed light on the impact of warmer-than-normal weather in recent winter periods and the impact it has had on the Company's revenue decoupling deferrals.

Q. Absent a waiver of the RDA cap, what impact would the RDAF deferral have on the Company and ratepayers?

A. The Company filed its most recent F-1 rate of return filing with the Commission on August 14, 2024, which indicated a revenue deficiency of $367,122 as of June 30, 2024. Although, the Company cannot indicate whether it will or will not file a base rate case proceeding in 2025, should the Company's RDAF deferral continue to increase the Company may need to file a full distribution rate case, with the RDAF deferral as a contributing factor. The Company proposes a waiver of the RDA cap and 24 month recovery as administratively efficient alternative to possible increased litigation costs associated with filing a full distribution rate case.

Q. What documentation is included in this filing to support the proposed RDAF?

A. In addition to this testimony describing the calculation of the RDAF, materials included herein are Attachment SED-1-RDAF and Attachment SED-2 RDAF. Attachment SED-1 RDAF provides the calculation of the RDAF for each rate class group for the Peak and Off-peak periods reflecting a 24-month recovery period and waiver of the 4.25% cap. Attachment SED-2 RDAF provides supporting documentation for the authorized

Revenue Per Customer ("RPC") used in the RDAF calculations and approved in DG 21-104. The Company is not including bill impacts or rate summaries in this filing since full bill impacts and rate summaries are being filed in the cost of gas filing made on or before September 17th under separate cover.

The Company is also including a supplemental attachment, SED-1B, that illustrates the calculation of the RDAF for each rate class group with capped recovery and 12-month recovery period consistent with the approved tariff and Settlement Agreement.

Q. What are the Company's proposed RDAF surcharges?

A. The tables below summarizes the proposed Peak (November 1 – April 30) and Off-peak (May 1 – October 31) RDAFs for the Residential Heating, Residential Non-Heating, General Service High Load Factor and General Service Low Load Factor classes. The proposed rates represent an increase to Residential Heating customers of $82.67 or 8.29% over the winter period and $20.53 or 7.11% over the summer period. Please see Attachment NUI-SED-3, filed in the Annual Cost of Gas Filing today under separate cover, for the impacts of all proposed November 1, 2024 and May 1, 2025 rate changes for all customer classes.

Table 1. SED-1 Uncapped RDAF/24 Month Recovery

Class	Peak $/therm	Off-peak $/therm
Residential Heat	$0.2107	$0.3024
Residential Non-Heat	$0.1093	$0.2857

General Service HLF	($0.0153)	$0.0042
General Service LLF	$0.0259	$0.0410

Table 2. SED-1B Capped RDAF/12 Month Recovery

Class	Peak $/therm	Off-peak $/therm
Residential Heat	$0.0447	$0.0798
Residential Non-Heat	$0.1212	$0.1651
General Service HLF	($0.0099)	$0.0075
General Service LLF	$0.0168	$0.0408

III. REVENUE DECOUPLING

Q. Please describe revenue decoupling.

A. Revenue decoupling is a ratemaking mechanism that is designed to break the link between a utility's sales and revenues. By eliminating the link between customer usage and company earnings, revenue decoupling removes the disincentive for utilities to promote conservation and energy efficiency programs. Revenue decoupling allows a utility to recover its base revenue requirement approved in its most recent base rate case, or similar proceeding, despite changes in sales which may be the result of factors such as increased customer conservation, weather, or economic conditions.

Q. Could you describe the derivation of the proposed RDAF?

A. The RDAF provides for an adjustment to distribution rates by comparing actual and allowed revenues based on an RPC methodology. This methodology was approved in DG 21-104.

IV. REVENUE DECOUPLING ADJUSTMENT FACTOR CALCULATIONS

Q. Provide an overview of the RDAF.

A. The RDAF is a separate dollar per therm charge applicable to residential heating, R-5 and R-10; residential non-heat, R-6; commercial and industrial high load factor, G-50, G-51, G-52; and commercial and industrial low load factor, G-40, G-41, G-42. In addition, RDAFs are calculated for the peak period, November to April and off-peak periods, May to October.

Q. Please describe Attachment SED-1 RDAF.

A. Attachment SED-1 consists of 16 worksheets providing calculations and supporting documentation for the RDAF for each customer group for peak and off-peak periods. The attachment consists of the calculation of the RDAF (Page 1), reconciliations by customer group and period (Pages 2-9), calculations supporting the development of the monthly revenue variances (Pages 10 & 11), the calculation of the revenue cap where applicable (Pages 10 & 11), actual base revenue for the period (Pages 12 & 13), forecasted revenues (Pages 14 & 15) and a forecast of base distribution revenues for the August 2024 – October 2024 period (Page 16). The Company’s tariff provides that the off-peak period recovery will consist of actual and estimated data in the Off-Peak period.

Q. Please describe the RDAF calculations

A. The Monthly Revenue Variance ("MRV") for each class group and period are calculated by comparing the authorized revenue per customer with the actual revenue per customer from the Company's billing system. MRV plus prior period balances and carrying charges minus prior period RDAF collections equal the RDA. This amount is divided by the forecasted therm sales for the period to derive the dollar per therm RDAF. This calculation is demonstrated on Attachment SED-1 RDAF, page 1.

Alternatively, the RDA cap, as described below, is applied and amounts over the cap are deferred. The remaining amount is divided by the forecasted therm sales for the rate period to derive the dollar per therm RDAF. This calculation is demonstrated on Attachment SED-1B RDAF, page 1.

Q. How is the MRV calculated?

A. The calculation is demonstrated on Attachment SED-1 RDAF, Pages 10 & 11. Actual base revenue from the Company's billing system (Pages 12 & 13) is used to derive the actual monthly revenue per customer. The actual revenue per customer is compared to the revenue per customer authorized in the DG 21-104. The difference between the actual and authorized revenue per customer is the MRV. Authorized revenue per customer is provided in Attachment SED-2 RDAF.

Q. How is the RDA cap calculated?

A. The RDA cap intended to limit the impact of the RDAF on customer bills and is applicable to both over- and under-recoveries. The cap is 4.25 percent of actual distribution revenues, for each Customer Group, over the appropriate period, peak or off-peak. The calculation of the cap for the current peak and off-peak periods is provided in the bottom section of Attachment SED-1 RDAF, pages 10 and 11. However, application of the cap has will result in large deferrals for the residential heating and C&I Low Load Factor class groups and significant carrying charges. The Company is concerned that, left unaddressed, deferrals and carrying charges will continue to increase.

Q. Are any of the customer groups RDAF calculations impacted by the cap?

A. Yes, please refer to Attachment SED-1B RDAF, page 1. The RDA for all rate class groups in the peak period exceed the cap and result in deferred costs. In the off-peak period the RDA for all rate class groups exceeds the cap and results in deferred costs with the exception of the C&I High Load Factor class group.

Q. Have you provided reconciliations of the RDA and the estimated revenues or credits associated with proposed RDAFs?

A. Yes, Attachments SED-1 RDAF and SED-1B, pages 2 through 9 provide the reconciliations by customer group and peak, off-peak periods.

Q. Why have you included forecasted revenue?

A. Forecasted revenue shown on Page 14 is used in the reconciliation pages 2 through 9, column (D). Forecasted revenue consists of the forecasted therm sales times the proposed RDAF for each customer group and peak, off-peak periods. Forecasted therm sales are also used in the rate calculation on page 1.

Q. Does this conclude your testimony?

A. Yes, it does.