

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF THE  
STATE OF RHODE ISLAND**

**IN THE MATTER OF )  
THE NARRAGANSETT ELECTRIC ) DOCKET NO. 23-23-NG  
COMPANY D/B/A RHODE ISLAND ENERGY )  
2023 GAS COST RECOVERY FILING )**

**DIRECT TESTIMONY  
OF  
JEROME D. MIERZWA**

**ON BEHALF OF  
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**September 29, 2023**

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**EXETER**  
ASSOCIATES, INC.  
10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

**TESTIMONY OF JEROME D. MIERZWA**

**Docket No. 23-23-NG**

September 29, 2023

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**TESTIMONY OF JEROME D. MIERZWA**

**Docket No. 23-23-NG**

September 29, 2023

1

**I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS  
3 ADDRESS?

4 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter  
5 Associates, Inc. ("Exeter"). My business address is 10480 Little Patuxent  
6 Parkway, Suite 300, Columbia, Maryland 21044. Exeter specializes in  
7 providing public utility-related consulting services.

8 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND  
9 EXPERIENCE.

10 A. I graduated from Canisius College in Buffalo, New York, in 1981 with a  
11 Bachelor of Science Degree in Marketing. In 1985, I received a Master's  
12 Degree in Business Administration with a concentration in finance, also from  
13 Canisius College. In July 1986, I joined National Fuel Gas Distribution  
14 Corporation ("NFG Distribution") as a Management Trainee in the Research  
15 and Statistical Services Department ("RSS"). I was promoted to Supervisor  
16 RSS in January 1987. While employed with NFG Distribution, I conducted  
17 various financial and statistical analyses related to the Company's market  
18 research activity and state regulatory affairs. In April 1987, as part of a  
19 corporate reorganization, I was transferred to National Fuel Gas Supply  
20 Corporation's ("NFG Supply") rate department where my responsibilities  
21 included utility cost of service and rate design analysis, expense and revenue  
22 requirement forecasting, and activities related to federal regulation. I was also

1 responsible for preparing NFG Supply's Purchase Gas Adjustment ("PGA")  
2 filings and developing interstate pipeline and spot market supply gas price  
3 projections. These forecasts were utilized for internal planning purposes as  
4 well as in NFG Distribution's annual state purchased gas cost review  
5 proceedings.

6 In April 1990, I accepted a position as a Utility Analyst with Exeter  
7 Associates, Inc. ("Exeter"). In December 1992, I was promoted to Senior  
8 Regulatory Analyst. Effective April 1, 1996, I became a principal of Exeter.  
9 Since joining Exeter, my assignments have included gas, electric, and water  
10 utility class cost of service and rate design analysis, evaluating the gas  
11 purchasing practices and policies of natural gas utilities, sales and rate  
12 forecasting, performance-based incentive regulation, revenue requirement  
13 analysis, the unbundling of utility services, and the evaluation of customer  
14 choice natural gas transportation programs.

15 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY  
16 PROCEEDINGS ON UTILITY RATES?

17 A. Yes. I have provided testimony in more than 450 proceedings before the  
18 Federal Energy Regulatory Commission ("FERC"), utility regulatory  
19 commissions in Arkansas, Connecticut, Delaware, Georgia, Illinois, Indiana,  
20 Louisiana, Maine, Maryland, Montana, Nevada, New Hampshire, New Jersey,  
21 Ohio, Pennsylvania, South Carolina, Texas, Utah, and Virginia, as well as  
22 before the Public Utilities Commission of Rhode Island ("Commission").

23 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

24 A. Exeter was retained by the Division of Public Utilities and Carriers ("Division")  
25 to review the annual Gas Cost Recovery ("GCR") filing of the Narragansett

1 Electric Company d/b/a Rhode Island Energy (“Rhode Island Energy” or “the  
2 Company”). The Company’s annual GCR filing was made on September 1,  
3 2023. However, in the annual GCR filing made on September 1, 2023, the  
4 Company noted that on August 31, 2023, it detected certain errors in the gas  
5 sales forecast that was included in the annual GCR filing, and that the gas  
6 costs, gas rates, and bill impacts reflected in that filing would require revision.  
7 On September 15, 2023, Rhode Island Energy filed certain revisions to its initial  
8 September 1, 2023 GCR filing to correct the errors it had detected. My  
9 testimony presents the results of my review of the initial September 1, 2023  
10 GCR filing and the revised filing made on September 15, 2023.

11 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

12 A. Yes. I presented testimony on behalf of the Division in Rhode Island Energy’s  
13 2019 GCR proceeding at Docket No. 4963, 2020 GCR proceeding at Docket  
14 No. 5066, 2021 GCR proceeding at Docket No. 5180, and 2022 GCR  
15 proceeding at Docket No. 22-20-NG. I have also previously testified before this  
16 Commission in the following water utility rate proceedings:

- 17 • City of Newport, Water Division Docket Nos. 2985, 4355, 4295, and  
18 4933;
- 19 • Providence Water Supply Board Docket Nos. 2048, 3163, 3832, 4406,  
20 4618 and 4994;
- 21 • Kent County Water Authority Docket Nos. 2555, 3311, and 4611;
- 22 • Pawtucket Water Supply Board Docket Nos. 2674 and 3945;
- 23 • Suez Water Rhode Island, Inc. Docket No. 4800; and
- 24 • Woonsocket Water Division Docket Nos. 4320 and 4879.

1 Q. WHAT IS YOUR EXPERIENCE WITH RESPECT TO EVALUATING  
2 THE GAS PROCUREMENT PRACTICES OF NATURAL GAS LOCAL  
3 DISTRIBUTION COMPANIES (“LDCs”) LIKE RHODE ISLAND  
4 ENERGY?

5 A. Over the last 33 years, I have reviewed and assessed the gas procurement  
6 practices of approximately 40 different LDCs. For many of these LDCs, I have  
7 performed gas procurement reviews on an annual basis. In total, I estimate  
8 that I have performed approximately 230 such reviews. These assessments  
9 include review of an LDC’s capacity and gas supply resource portfolios. An  
10 LDC’s capacity resource portfolio would generally include those resources  
11 necessary to deliver gas supplies to the LDC’s distribution system (citygate)  
12 such as firm interstate pipeline transportation service, and interstate pipeline  
13 storage service. An LDC’s gas supply portfolio would generally include  
14 purchase arrangements that provide for the availability of gas at interstate  
15 pipeline receipt points which are then subsequently delivered to the LDC  
16 utilizing the LDC’s capacity resource portfolio. Gas withdrawn from interstate  
17 pipeline storage facilities would generally be delivered to an LDC utilizing the  
18 LDC’s capacity resource portfolio. Gas supply arrangements that provide for  
19 the delivery of gas directly to an LDC’s citygate would be considered combined  
20 capacity and gas supply resources, as would an LDC’s on-system storage  
21 facilities, including underground storage, LNG, and propane facilities.

22 Q. PLEASE SUMMARIZE RHODE ISLAND ENERGY’S CURRENT GCR  
23 RATES AND THE RATES PROPOSED IN THE COMPANY’S REVISED  
24 FILING.

1 A. The current High Load Factor GCR rate is \$0.6136 per therm and the current  
2 Low Load Factor GCR rate is \$0.6831 per therm. The Company is proposing  
3 a decrease in the High Load Factor GCR rate of \$0.0082 per therm to \$0.6054  
4 per therm, or 1.3%. The Company is proposing a decrease in the Low Load  
5 Factor GCR rate of \$0.0308 per therm to \$0.6523 per therm, or 4.5%. An  
6 average Residential Heating customer using 845 therms per year will  
7 experience a total bill decrease of \$26.05, or 1.5%.

8 Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

9 A. My findings and recommendations are as follows:

- 10 • In Rhode Island Energy's 2022 annual GCR proceeding, I noted that the  
11 probability of occurrence of the Company's design day standard  
12 appeared to be extremely conservative, and recommended that the  
13 Company re-evaluate its standard. The Company agreed to re-evaluate  
14 the reasonableness of its then current design day standard of 68 heating  
15 degree days ("HDD"), and present the results of its re-evaluation its next  
16 Gas Long-Range Resource and Requirements Plan which was  
17 scheduled to be filed by June 30, 2023 ("2023 Long-Range Plan"). The  
18 Company presented its re-evaluation in its 2023 Long-Range Plan as  
19 agreed to in last year's proceeding. Based on this re-evaluation, I am no  
20 longer concerned that the Company's design day standard is  
21 unreasonable or too conservative.
- 22 • The gas costs Rhode Island Energy incurs to meet the design peak hour  
23 demands of its customers are currently removed from the GCR and  
24 recovered through the System Pressure Factor component of the  
25 Distribution Adjustment Charge ("DAC"). The design peak hour costs the  
26 Company has proposed to remove from the GCR and recover through  
27 the DAC in this proceeding appear reasonable;

- 1 • The Company should track the actual incremental variable costs it incurs  
2 to meet hourly peak demands and report those costs in its 2024 GCR  
3 and DAC filings. Should those costs be significant, those costs should  
4 be included in the DAC reconciliation process next year and removed  
5 from the GCR reconciliation process;
- 6 • My review identified no concerns with the incentive awards calculated  
7 by the Company under the Natural Gas Portfolio Management Plan  
8 (“NGPMP”) or Gas Procurement Incentive Plan (“GPIP”);
- 9 • The commodity gas price projections reflected in the Company’s filing  
10 are consistent with currently projected commodity prices;
- 11 • Concurrent with its annual GCR filing, the Company currently provides  
12 to the Division Excel spreadsheet files which include the information  
13 presented in Attachments GSP-1 and GPP-1 of the GCR filing. The  
14 Excel spreadsheet file provided for Attachment GPP-1 generally  
15 includes the formulas utilized to calculate the numbers presented in the  
16 spreadsheet while Attachment GSP-1 does not. To assist in the review  
17 of Rhode Island Energy’s annual GCR filings, the Company should  
18 provide the information presented in Attachment GSP-1 in Excel format  
19 with all formulas intact. The time period provided for the review of the  
20 Company’s annual GCR filings is very compressed and providing the  
21 formulas in Attachment GSP-1 will significantly assist the Division in  
22 reviewing the Company’s filing; and
- 23 • Based on the above findings and recommendations, I recommend that  
24 the GCR rates proposed by Rhode Island Energy be approved.

25 Q. BEFORE CONTINUING GENERALLY DESCRIBE THE TYPES OF  
26 CUSTOMERS SERVED BY RHODE ISLAND ENERGY AND THE  
27 SERVICES PROVIDED TO THOSE CUSTOMERS.

28 A. Rhode Island Energy provides firm sales service to retail GCR customers. This  
29 is a bundled service under which the Company arranges for the delivery of gas



1 supplies to its citygate to serve these customers and provides for the delivery  
2 of these arranged supplies across its distribution system to end-use customers.  
3 As such, Rhode Island Energy contracts for interstate pipeline capacity and gas  
4 supply resources to serve retail GCR customers.

5 Rhode Island Energy also provides unbundled transportation service.  
6 Under transportation service, end-use customers purchase their gas supplies  
7 from third-party marketers or suppliers (collectively “marketers”) which arrange  
8 for the delivery of the gas supplies necessary to serve their customers to Rhode  
9 Island Energy’s citygate. The Company provides for the delivery of the  
10 marketer-arranged supplies from its citygate to the end-use customer. Rhode  
11 Island Energy offers two primary types of firm transportation service — FT-1  
12 and FT-2. Under FT-1 service, a customer’s gas usage is measured on a daily  
13 basis. Under FT-2 service, a customer’s gas usage is generally measured on  
14 a monthly rather than daily basis.

15 There are two categories of FT-1 customers - capacity assigned and  
16 capacity exempt customers. The marketers serving capacity assigned FT-1  
17 customers receive an assignment of the Company’s firm interstate pipeline  
18 transportation capacity to meet a portion of their customer’s gas supply  
19 requirements. The remainder of a capacity assigned FT-1 customer’s  
20 requirements would be met by other capacity and gas supply resources  
21 acquired by the marketer serving the customer. The marketers serving  
22 capacity exempt FT-1 customers are not assigned any of the Company’s  
23 interstate pipeline capacity resources. Marketers serving capacity assigned  
24 and capacity exempt FT-1 customers are required to deliver the gas supply

1 requirements of their customers on a daily basis within the imbalance  
2 tolerances permitted under Rhode Island Energy's tariff.

3 The marketers serving FT-2 customers also receive an assignment of  
4 Rhode Island Energy's interstate pipeline firm transportation capacity to meet  
5 a portion of their customers' gas supply requirements. The marketers serving  
6 FT-2 customers would use this capacity to arrange and provide for the delivery  
7 of gas supplies to Rhode Island Energy's citygate. FT-2 marketers are also  
8 provided access to a portion of the Company's storage and peaking resources  
9 which the marketer may use to meet the daily gas supply requirements of its  
10 customers that is not met by the assigned interstate pipeline firm transportation  
11 capacity. The storage and peaking services are not directly assigned to  
12 marketers, but are managed by the Company.

13 In summary, Rhode Island Energy secures the interstate pipeline firm  
14 transportation capacity, storage, peaking resources, and gas supplies  
15 necessary to meet the requirements of its retail GCR sales customers, the  
16 interstate pipeline firm transportation capacity assigned to FT-1 and FT-2  
17 marketers, and the storage and peaking requirements of FT-2 customers.  
18 These requirements are commonly referred to as Rhode Island Energy's  
19 planning load.

20 **II. DESIGN DAY STANDARD**

21 Q. WHAT IS A DESIGN DAY?

22 A. An LDC would typically plan and secure capacity and gas supply resources  
23 sufficient to meet the daily, winter season, and annual requirements of its  
24 planning load customers under extreme, or design, weather conditions. The

1 most critical of these three planning criteria are design day requirements, as  
2 the resources available to meet winter season and annual requirements are  
3 largely a function of the resources secured to meet daily requirements. That  
4 is, for example, firm interstate pipeline transportation capacity secured to meet  
5 design day requirements would generally also be available to meet customer  
6 requirements on each day during the winter season and on a daily basis for the  
7 remainder of the year.

8 An LDC's design day is commonly defined by criteria such as an  
9 extreme daily average temperature, day of the week (weekday vs. weekend),  
10 and potentially other variables. The temperature criteria is frequently  
11 expressed in terms of HDDs, which are determined by subtracting the average  
12 of the daily high and low temperature from a base of 65°F. For example, a day  
13 with an average daily temperature of 5°F would have 60 HDDs. The design day  
14 criteria utilized by the Company to determine the projected design day  
15 requirements of its planning load customers is referred by the Company as its  
16 design day standard.

17 Q. WAS THE DESIGN DAY STANDARD UTILIZED BY THE COMPANY  
18 AN ISSUE THAT YOU RAISED IN LAST YEAR'S 2022 ANNUAL GCR  
19 PROCEEDING IN DOCKET NO. 22-20-NG?

20 A. Yes, it was.

21 Q. IN ITS 2022 ANNUAL GCR PROCEEDING, WHAT WAS THE DESIGN  
22 DAY STANDARD USED BY RHODE ISLAND ENERGY AND HOW  
23 WAS IT SELECTED?

24 A. The Company's design day standard and the selection of that standard was  
25 described in the Gas Long-Range Resource and Requirements Plan for the

1 Forecast Period 2022/23 to 2026/27 submitted by the Company to the  
2 Commission on June 30, 2022 in Docket No. 22-06-NG as follows:

3 The purpose of a design day standard is to establish  
4 the amount of system-wide throughput (interstate  
5 pipeline and underground-storage capacity plus local  
6 supplemental capacity) that is required to maintain the  
7 integrity of the distribution system. In this filing, the  
8 Company defines its design day standard at 68 HDD  
9 with a probability of occurrence of once in 58.92 years,  
10 as a result of its ongoing review of planning standards.

11 The Company established its design day standard  
12 using a three-step process. First, the Company  
13 performed a statistical analysis of the coldest days  
14 recorded over a historical period. Second, the  
15 Company conducted a cost-benefit analysis to  
16 evaluate the cost of maintaining the resources  
17 necessary to meet design day demand versus the cost  
18 to customers of experiencing service curtailments.  
19 Third, the Company identified a design day standard  
20 that would maintain reliability at the lowest cost.

21 To perform the statistical analysis necessary to identify  
22 the appropriate design day standard, the Company  
23 used recorded daily HDD values based on 6,040  
24 observations at the T.F. Green weather site for the  
25 November through March periods of 1977/78 through  
26 2016/17. In previous long-range supply plan  
27 submissions, the Company had selected the coldest  
28 day of each of the most recent 40 heating seasons  
29 reflected in the T.F. Green weather data. The change  
30 to evaluating a larger data set was necessitated  
31 because the distribution of coldest days in the earlier  
32 methodology is trending away from a normal  
33 distribution. Using its new methodology, the Company  
34 found that these 6,040 data points fell within a normal  
35 distribution with an average of 55.00 HDD and a  
36 standard deviation of 6.13 HDD.

37 In its design day standard, the Company examined the  
38 cost of potential customer curtailments through a cost-  
39 benefit analysis. In the event of a service disruption,  
40 there are several types of damages that customers  
41 could experience. For example, the Company's

1 residential customers would potentially incur re-light  
2 costs and freeze-up damages. The Company's  
3 Commercial and Industrial customers would potentially  
4 incur economic damages associated with the loss of  
5 production on the day of the event.

6 In the Company's design day cost-benefit analysis, the  
7 cost of maintaining adequate throughput capacity and  
8 the benefit of avoiding damage costs that would be  
9 incurred in relation to customer premises are  
10 compared. The intersection of the curves set a range  
11 for design day planning purposes from approximately  
12 64.3 to 71.0 HDD, with a midpoint of 67.3 HDD. Thus,  
13 the Company's design day standard of 68 HDD is  
14 within the range of values based on cost and benefit.  
15 The Company's analysis indicates that the frequency  
16 of occurrence of the Company's design day standard  
17 is once in 58.92 years.

18 Q. WHAT WERE YOUR CONCERNS WITH THE 68 HDD DESIGN DAY  
19 STANDARD THAT HAD BEEN SELECTED BY THE COMPANY?

20 A. I found that the probability of occurrence of Rhode Island Energy's design day  
21 standard appeared to be extremely conservative compared to the standards  
22 and practices of other LDCs. The probability of occurrence of the design day  
23 standard used by Rhode Island Energy was nearly once-in-60 years. Based  
24 on my experience, LDCs typically utilize a design day standard with a  
25 probability of occurrence of once-in-30 years. I subsequently presented  
26 evidence supporting the once-in-30-year standard.

27 Q. EARLIER YOU INDICATED THAT RHODE ISLAND ENERGY'S  
28 DESIGN DAY STANDARD OF 68 HDD WAS BASED ON AN  
29 ANALYSIS OF WEATHER FOR THE WINTER MONTHS OF  
30 NOVEMBER THROUGH MARCH FOR THE PERIOD 1977/78  
31 THROUGH 2016/17. ON HOW MANY OCCASIONS SINCE THE

1 WINTER OF 1977/78 HAVE DAYS WITH 68 OR MORE HDDS BEEN  
2 RECORDED IN THE COMPANY'S SERVICE TERRITORY?

3 A. None. The coldest day in Rhode Island Energy's service territory since the  
4 winter of 1977/78 was 65 HDDs, which was actually observed on two occasions  
5 (January 1981 and January 1982). Therefore, Rhode Island Energy was  
6 utilizing a day for its design day standard which was colder than the actual  
7 coldest day observed in its service territory during the period utilized to select  
8 its design day standard. It was for this reason I found that the Company's  
9 design day standard was extremely conservative.

10 Q. WHAT WAS YOUR RECOMMENDATION CONCERNING THE  
11 DESIGN DAY STANDARD THAT RHODE ISLAND ENERGY SHOULD  
12 UTILIZE FOR CAPACITY PLANNING PURPOSES IN LAST YEAR'S  
13 GCR PROCEEDING?

14 A. In the 2022 GCR proceeding, I recommended that the current design day  
15 standard be re-evaluated by the Company to determine whether a standard  
16 more consistent with the practices of other LDCs should be adopted. I  
17 recommended that the Company present its re-evaluation in its next Gas Long-  
18 Range Resource and Requirements Plan which is scheduled to be filed by June  
19 30, 2023.

20 Q. WHAT WAS THE COMPANY'S RESPONSE TO YOUR  
21 RECOMMENDATION THAT IT SHOULD RE-EVALUATE ITS DESIGN  
22 DAY STANDARD?

23 A. On October 5, 2022, Rhode Island Energy filed a letter from counsel  
24 representing that the Company agreed to re-evaluate its design day standard

1 and to present the results of its re-evaluation in its next Gas Long-Range  
2 Resource and Requirements Plan.

3 Q. DID THE COMPANY PRESENT A RE-EVALUATION OF ITS DESIGN  
4 DAY STANDARD IN THE GAS LONG-RANGE RESOURCE AND  
5 REQUIREMENTS PLAN IT FILED ON JUNE 30, 2023?

6 A. Yes, it did.

7 Q. WHAT WERE THE RESULTS OF THE COMPANY'S RE-  
8 EVALUATION?

9 A. As part of its re-evaluation the Company expanded the term of its analysis of  
10 daily weather data from 40 years to 83 years, and analyzed daily winter period  
11 (November - March) temperature data for the period 1940/41 through 2022/23.  
12 Based on this analysis, the Company elected to maintain its current design day  
13 standard of 68 HDD.

14 Q. WHAT IS YOUR RESPONSE TO RHODE ISLAND ENERGY'S  
15 PROPOSAL TO MAINTAIN ITS CURRENT DESIGN DAY STANDARD  
16 OF 68 HDD?

17 A. I initially expressed concern with the Company's design day standard of 68  
18 HDD because the Company was utilizing a design day standard which was 3  
19 HDD colder than the actual coldest day observed in its service territory during  
20 the period utilized to select its design day standard. During the period utilized  
21 to select the Company's design day standard, the coldest day observed in the  
22 Company's service territory was 65 HDD. During the period analyzed under the  
23 Company's re-evaluation, days with 69 and 67 HDD have been observed as  
24 well as two days with 66 HDD. I also note that the Company's design day  
25 planning load requirement forecast does not account for potential forecast

1 error. That is, actual requirements under design day conditions may exceed  
2 forecasted requirements. Many LDCs account for potential forecast error in  
3 developing their design day requirement forecasts. Accounting for forecast  
4 error would effectively decrease the design day standard utilized by the  
5 Company. For example, inclusion of a forecast error equal to usage of 1 HDD  
6 would reduce the Company's design day standard to 67 HDD. Therefore,  
7 based on the additional HDD data presented in the Company's re-evaluation  
8 and the Company's exclusion of forecast error, I no longer am concerned that  
9 the Company's design day standard is unreasonable or too conservative.

### 10 **III. DESIGN PEAK HOUR COSTS**

11 Q. THE GAS COSTS THAT RHODE ISLAND ENERGY INCURS TO MEET  
12 THE DESIGN PEAK HOUR PEAK DEMANDS OF ITS CUSTOMERS  
13 ARE CURRENTLY REMOVED FROM THE GCR AND RECOVERED  
14 THROUGH THE SYSTEM PRESSURE FACTOR COMPONENT OF  
15 THE DAC. PLEASE IDENTIFY THE DESIGN PEAK HOUR DEMAND  
16 COSTS THE COMPANY IS PROPOSING TO REMOVE FROM THE  
17 GCR AND INCLUDE IN THE DAC IN THIS PROCEEDING.

18 A. In this proceeding, the Company has removed \$25.84 million from the GCR  
19 and included those costs in the System Pressure Factor component of the  
20 DAC. As discussed on page 15, lines 9-16 of the Gas Supply Panel's testimony,  
21 the fixed costs associated with the following assets have been removed from  
22 the GCR and included in the System Pressure Factor: (1) portable LNG; (2) the  
23 Company's firm transportation contract on Tennessee for 35,000 Dth per day  
24 having receipts at Dracut in Massachusetts; (3) the citygate delivered  
25 arrangement with Algonquin; (4) LNG trucking; and (5) the Company's firm



1 transportation contract on Algonquin with a Beverly, Massachusetts receipt  
2 point for 5,000 Dth per day.

3 Q. ARE THEY THE SAME ASSETS WHOSE COSTS WERE REMOVED  
4 FROM THE GCR AND INCLUDED IN THE SYSTEM PRESSURE  
5 FACTOR IN THE COMPANY'S 2022 GCR FILING?

6 A. Yes. The Company is generally removing the costs associated with the same  
7 assets in this proceeding that were removed from the GCR in last year's  
8 proceeding. However, the total costs removed from GCR and included in the  
9 System Pressure Factor in last year's proceeding were \$68.66 million.

10 Q. WHY HAVE DESIGN HOUR COSTS DECREASED SO  
11 SIGNIFICANTLY IN THIS YEAR'S PROCEEDING?

12 A. As shown on Attachment GSP-1, page 12, of the Company's GCR filing, a  
13 significant portion of the costs incurred by the Company to meet peak hour  
14 demands are fixed costs from suppliers for gas supplies purchased at Dracut.  
15 Dracut is a natural gas trading hub that connects to and is near several  
16 interstate pipelines, including Tennessee Gas Pipeline, Algonquin Gas  
17 Transmission, and Maritimes & Northeast Pipeline. Dracut is also located near  
18 several LNG import facilities. Therefore, prices for gas supplies purchased at  
19 Dracut are influenced by the price of LNG imports. As explained in greater  
20 detail in Section IV of the testimony of Company witness Paul J. Hibbard in last  
21 year's GCR proceeding, as a result of world events, and in particular the war in  
22 Ukraine, the price of natural gas in Europe during 2022 had increased  
23 significantly. This includes prices for LNG. This also caused prices for LNG to  
24 increase dramatically, including the price for LNG delivered to the import  
25 facilities that serve New England. Since this time last year, LNG import prices

1 have decreased significantly which has reduced the price for gas supplies  
2 purchased at Dracut, and this decline in prices is largely responsible for the  
3 significant decline in System Pressure Factor costs. For example, based on the  
4 response to Division 5-7, prices for imported New England LNG averaged  
5 nearly \$60 per Dth in October 2022, and are currently forecasted to be less  
6 than \$11 per Dth for October 2023. The fixed costs the Company is required to  
7 pay for LNG supplies is generally a function of the commodity price of LNG.

8 Q. SHOULD THE COMMISSION APPROVE RHODE ISLAND ENERGY'S  
9 PROPOSED REMOVAL OF DESIGN PEAK HOUR DEMAND COSTS  
10 FROM THE GCR AND THE INCLUSION OF THOSE COSTS IN THE  
11 DAC?

12 A. Yes, the Company's proposal appears reasonable and should be approved.

13 Q. THE ORDER IN GCR DOCKET NO. 22-20-NG DIRECTED THE  
14 COMPANY TO REPORT WHETHER IT INCURRED ANY  
15 INCREMENTAL VARIABLE COSTS TO MEET PEAK HOUR  
16 DEMANDS DURING THE 2022-2023 WINTER SEASON. DID THE  
17 COMPANY INCUR ANY INCREMENTAL VARIABLE COSTS TO MEET  
18 PEAK HOUR DEMANDS DURING THE WINTER 2022-2023?

19 A. No, the Company reported that it incurred no incremental variable costs to meet  
20 peak hour demands during the 2022-2023 winter season and my review  
21 identified no such costs.

22 Q. SHOULD THE COMPANY REPORT WHETHER IT INCURS ANY  
23 VARIABLE COSTS TO MEET PEAK HOUR DEMANDS DURING THE  
24 WINTER OF 2023-2024 IN NEXT YEAR'S GCR AND DAC  
25 PROCEEDINGS?

1 A. Yes. Should those costs be significant, those costs should be included in the  
2 DAC reconciliation process next year and removed from the GCR reconciliation  
3 process.

4 **IV. NATURAL GAS PORTFOLIO MANAGEMENT PLAN AND GAS**  
5 **PROCUREMENT INCENTIVE PLAN**

6 Q. BRIEFLY DESCRIBE THE COMPANY'S NGPMP AND GPIIP.

7 A. Under the NGPMP, the Company uses its interstate pipeline firm transportation  
8 contracts, underground storage contracts, peaking supplies, and gas supply  
9 contracts, when not required to meet GCR customer requirements to generate  
10 incremental revenue generally through off-system transactions. The Company  
11 is provided an incentive to engage in these activities under the NGPMP. The  
12 details of the NGPMP are provided in Attachment EPM-3 of the Company's  
13 GCR filing.

14 The GPIIP is a hedging program designed to mitigate the volatility of  
15 Rhode Island Energy's natural gas costs and to encourage the Company to  
16 achieve lower-hedged commodity costs for GCR customers. The details of the  
17 GPIIP are provided in Attachment EPM-1 of the Company's GCR filing.

18 Q. DID YOU REVIEW THE RESULTS OF THE COMPANY'S NGPMP AND  
19 GPIIP?

20 A. Yes.

21 Q. DID YOUR REVIEW IDENTIFY ANY CONCERNS WITH THE  
22 INCENTIVE AWARDS CALCULATED BY THE COMPANY UNDER  
23 EACH PLAN?

24 A. No, it did not.

1 **V. COMMODITY GAS COST PROJECTIONS**

2 Q. HOW DID RHODE ISLAND ENERGY DEVELOP THE GAS SUPPLY  
3 COMMODITY COST PROJECTIONS INCLUDED IN ITS GCR FILING?

4 A. The proposed GCR factors are based on the New York Mercantile Exchange  
5 (“NYMEX”) forward natural gas commodity prices as of the close of trading on  
6 August 4, 2023.

7 Q. ARE CURRENT NYMEX COMMODITY PRICES CONSISTENT WITH  
8 THOSE UTILIZED BY THE COMPANY IN ITS GCR FILING?

9 A. Yes.

10 **VI. GCR SCHEDULES IN EXCEL FORMAT**

11 Q. DO YOU HAVE ANY ADDITIONAL RECOMMENDATIONS THAT  
12 WOULD ASSIST THE DIVISION IN ITS REVIEW OF RHODE ISLAND  
13 ENERGY’S ANNUAL GCR FILINGS?

14 A. Yes. The period of time available to the Division to review the Company’s  
15 annual GCR filings is very limited. This year the Company’s made its annual  
16 GCR filing on September 1, 2023, the Company revised its annual GCR filing  
17 on September 15, 2023, and the Division’s direct testimony was required to be  
18 filed on September 29, 2023. The Company currently provides the Division with  
19 copies of the confidential versions of two schedules that are included in the  
20 annual GCR filing in Excel format - Attachment GSP-1 and Attachment GPP-  
21 1. Attachment GSP-1 provides detail on the capacity and gas supply resources  
22 that are projected to be utilized by the Company to meet its customer’s  
23 requirements during the annual GCR period as well as the costs associated  
24 with those resources. Attachment GPP-1 provides detail illustrating the

1 derivation of the Company's GCR rates and the under and over recovery of  
2 gas costs during the prior annual GCR period. The Excel spreadsheet file  
3 provided for Attachment GPP-1 generally has the formulas intact which are  
4 utilized to calculate the numbers presented in the Attachment. However, in the  
5 Excel spreadsheet for Attachment GSP-1, the numbers are generally  
6 hardcoded, and the formulas relied upon to calculate the numbers presented  
7 in the Attachment are not provided in the spreadsheet file. The Division  
8 recommends that in future GCR filings, the Company provide the information  
9 presented in Attachment GSP-1 in Excel format with all formulas intact. This  
10 will significantly assist the Division in reviewing Rhode Island Energy's annual  
11 GCR filings.

12 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

13 A. Yes, it does.