

Stephen P. Frink

Educational & Professional Experience

Mr. Frink graduated from the University of New Hampshire with a Bachelor of Arts degree in Sociology in 1977 and a Masters in Business Administration in 1980. He attended and completed Depreciation Programs sponsored by Depreciation Programs, Inc. at Grand Rapids, Michigan in 1992, 1993, 1994 and is a member in good standing of the Society of Depreciation Professionals since 1994.

In 1981, Mr. Frink worked as a High School Math Teacher in Manchester, New Hampshire.

In 1982, Mr. Frink relocated to Texas and worked as an Auditor for Dallas County. He audited various county departments and performed monthly reconciliations of various fund accounts.

In 1985, Mr. Frink went to work for Schenley Industries, Inc., a wholesale liquor distributor located in Dallas, Texas, where he audited national and international manufacturing plants.

In 1986, Mr. Frink left Schenley to work for the City of Dallas as a Budget/Financial Analyst, where he prepared and monitored budgets, prepared pro forma statements, amortization schedules and performed cash flow analysis. He was promoted to Senior Analyst in 1987.

In 1988, Mr. Frink left the City of Dallas to work for the City of Austin as a Financial Analyst. There he prepared budgets and fiscal impact statements, developed a capital projects tracking and monitoring system, and provided training and technical assistance in the implementation of a new accounting system.

In 1990, Mr. Frink joined the Finance staff of the New Hampshire Public Utilities Commission. Working as a member of the PUC Audit Team, he conducted or participated in audits of the books and records of public utilities. He performed desk audits and determined rates of returns. He prepared schedules and exhibits supporting testimony in dockets involving rate increases and participated in settlement conferences. In 1995, Mr. Frink became a full time Analyst for the Finance Department and in 1996 was promoted to a Senior Analyst position, primarily responsible for analyzing and advising the Commission on issues of depreciation, cost of gas adjustment filings, special contracts, and finance and rate increase petitions. In 1998, Mr. Frink was promoted to Assistant Finance Director. As Assistant Finance Director, he assisted in the direction of all aspects of a department responsible for the audit, analysis and review of public utility financial operations, including financing, rate cases and various utility studies filings related to public utility regulation. In 2001, New Hampshire Public Utilities Commission operations were restructured and Mr. Frink became Assistant Director of the Gas & Water Division and now administers all aspects of regulation of gas utilities

State of New Hampshire
Public Utilities Commission

Northern Utilities, Inc. Rate Case
Docket No. DG 11-069
Office of Consumer Advocate Second Set of Information Requests

Data Request OCA 2-34:

Concerning Exhibit ESM-1, page 16 (Bates 000627), lines 16-17, please quantify 1) the actual number of vacant positions each month during 2010 and 2011 to date and 2) the average annual costs for each position.

Response:

- 1) Provided below are the number of vacant positions each month during 2010 and 2011 for Northern – NH division and for USC. Please note that the actual number of open position in USC as of December 31, 2010 was ten, rather than the 13 that was used in preparing the total medical and dental cost for USC. The inadvertent use of 13 positions overstated the adjustment for medical and dental expense by \$4,083. This overstatement of cost will be corrected when the revenue requirement is updated.

<u>Month</u>	<u>2 0 1 0</u>		<u>2 0 1 1</u>	
	<u>NU-NH</u>	<u>USC</u>	<u>NU-NH</u>	<u>USC</u>
Jan	0	9	0	10
Feb	0	9	0	14
Mar	0	11	0	15
Apr	0	10	0	7
May	0	10	0	8
Jun	0	8	1	10
Jul	0	10	1	5
Aug	0	7		
Sep	0	10		
Oct	0	13		
Nov	0	11		
Dec	0	10		

- 2) The average annual costs referenced on page 16, lines 16-17 of my testimony refers to the average annual costs of medical and dental expense per open position. There were no open positions in Northern as of December 31, 2010; however, these amounts can be calculated as the total annual costs on line 5 of Workpaper Medical and Dental, Page 1 of 2, divided by the total enrollments on line 4.

	<u>Medical Non Union</u>	<u>Medical Union</u>	<u>Dental Standard</u>	<u>Dental Plus</u>
Annual Cost	\$32,926	\$474,138	\$14,992	\$38,183
Enrollments	<u>3</u>	<u>31</u>	<u>11</u>	<u>26</u>
Average Cost	\$10,975	\$15,295	\$1,363	\$1,469

**State of New Hampshire
Public Utilities Commission**

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Docket No. DG 11-069**

Office of Consumer Advocate Second Set of Information Requests

The average annual cost per employee in USC as of December 31, 2010 is \$11,128 for medical and \$1,286 for dental. These amounts are reflected on Line 6 of Workpaper Medical and Dental, Page 2 of 2.

Person Responsible: Elizabeth M. Shaw

Date: July 29, 2011

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 1

Received: May 31, 2011
Request No. Staff 1-1

Date of Response: June 10, 2011
Witness: George M. Gantz

Final Request based on Test Year 2010	\$13,073,207	\$9,328,684	\$3,744,523
Step Adjustment for 2011 Investment	\$2,245,768	\$814,746	\$1,431,022
TIRA - Q2/Q4 2013 (estimate)	\$2,672,451	\$1,986,678	\$685,773
TIRA - Q2/Q4 2014 (estimate)	\$1,186,256	\$629,575	\$556,681
TIRA - Q2/Q4 2015 (estimate)	\$1,775,977	\$1,211,913	\$564,064

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 1

Received: July 29, 2011
Request No. Staff 1-P

Date of Response: August 12, 2011
Witness: David L Chong

Request Staff 1-P-12:

Reference Schedule RevReq 3 and Rev Req 3-6. With respect to Medical and Dental O&M Expense, please respond to the following questions:

- a. Please provide the Medical and Dental O&M Expenses for the past three years (i.e. 2007-2009).
- b. Please explain the methodology used to allocate expenses from Unitil Service Corp. to Northern Utilities, Inc. for 2010 and 2011; and, please provide a schedule showing the development of the amounts allocated to Northern Utilities, Inc. for the years 2010 and 2011.
- c. Please provide a schedule that shows the allocation percentages used to spread Medical and Dental O&M expense from the Unitil Service Corporation to Northern Utilities, Inc. and each of the other subsidiaries for the years 2010 and 2011. Please include in your response the amounts allocated to each of the subsidiaries for 2010 and 2011.

Response:

Please see the responses below regarding Schedule RevReq 3 and Rev Req 3-5 Medical and Dental O&M expenses:

- a. The following table details Medical and Dental O&M Expenses for 2009. Northern Utilities was acquired by NiSource on December 1, 2008. Comparable prior year amounts are not available.

	<u>2009</u>
Northern - NH	\$ 282,749
USC Allocated to Northern - NH	<u>234,799</u>
Total Medical & Dental O&M Expense	<u>\$ 517,548</u>

- b. USC Medical and Dental expenses costs are component of USC overhead costs which are charged to Northern based on USC employee time charges, as described in Exhibit LMB 12, page 32. In order to specifically identify Medical and Dental expenses for purposes of this rate case, they are calculated as the amount of USC charges billed to Northern (numerator) in

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 1

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Date of Response: August 12, 2011
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the prior year as a percentage of total USC billing to all companies (denominator) in that year. In order to further identify the amounts of Medical & Dental O&M costs charged to each of Northern's divisions through the USC bill, a calculation was done as shown in Staff 1-P-12 Attachment 1. This schedule shows the amounts charged to the two divisions of Northern Utilities, Inc. for the year 2010. Chong Workpaper Medical and Dental, page 2 of 2 [Bates 000166] details the calculation of estimated 2011 Medical and Dental insurance from Unital Service Corp. to Northern – New Hampshire division.

- c. Please see Staff 1-P-12 Attachment 2 for the schedule that shows the apportionment percentages for costs charged from USC to Northern Utilities, Inc. and the other Unital subsidiaries for the years 2010 and 2011. This attachment also includes the Medical and Dental O&M expense amounts charged to each of the subsidiaries for 2010 and 2011.

During the course of the Northern Utilities rate cases it was learned that the capitalization ratios resulting from the USC billing process were not the same for the two divisions of Northern, whereas the revenue requirement schedules were developed using a combined average rate.

Research for NH OCA 2-34 also revealed that the open USC positions at December 31, 2010 was 10 instead of 13, as reported in the original RevReq workpapers. The Medical & Dental proforma adjustment has been recalculated (see table below).

The Company will adjust these amounts in the next update to the New Hampshire RevReq schedules as reflected below.

	<u>Original</u>	<u>Revised</u>	<u>Difference</u>
Medical & Dental Increase	\$ 46,745	\$ 42,072	\$ (4,673)

Line No.	Description (a)	Combined (b)	New Hampshire	Maine
1	2010 USC Medical & Dental Expense	\$ 2,216,526		
2	Northern Apportionment	34.35%		
3	Northern Expense Apportionment	761,377		
4	O&M Allocation Percentage	100.00%	50.28%	49.72%
5	Expense Apportionment - by division	761,377	382,820	378,556
6	Capitalization Rate		25.71%	27.68%
7	Northern Capitalization	(203,207)	(98,423)	(104,784)
8	USC Allocated Expense, net	\$ 558,169	\$ 284,397	\$ 273,772

2010 USC Medical & Dental

\$ 2,216,526

	<u>Apportionment</u>	<u>Percentage</u>	<u>Amount Charged</u>	<u>Amounts to</u>	<u>Amounts to</u>
	<u>Percentage</u>	<u>to Construction</u>	<u>to Affiliates</u>	<u>Construction</u>	<u>O&M</u>
UES	32.51%	25.90%	\$ 720,593	\$ (186,633)	\$ 533,959
FGE	29.26%	23.28%	648,555	(150,984)	497,572
NU-NH	17.27%	25.71%	382,820	(98,423)	284,397
NU-ME	17.08%	27.68%	378,556	(104,784)	273,772
GSG	3.10%	31.45%	68,712	(21,610)	47,102
Other	0.78%		17,289		17,289
	<u>100.00%</u>		<u>\$ 2,216,526</u>	<u>\$ (562,435)</u>	<u>\$ 1,654,091</u>

2011 Estimated USC Medical & Dental

\$ 2,125,512

	<u>Apportionment</u>	<u>Percentage</u>	<u>Amount Charged</u>	<u>Amounts to</u>	<u>Amounts to</u>
	<u>Percentage</u>	<u>to Construction</u>	<u>to Affiliates</u>	<u>Construction</u>	<u>O&M</u>
UES	32.51%	25.90%	\$ 691,004	\$ (178,970)	\$ 512,034
FGE	29.26%	23.28%	621,925	(144,784)	477,141
NU-NH	17.27%	25.71%	367,101	(94,382)	272,719
NU-ME	17.08%	27.68%	363,012	(100,482)	262,531
GSG	3.10%	31.45%	65,891	(20,723)	45,168
Other	0.78%		16,579		16,579
	<u>100.00%</u>		<u>\$ 2,125,512</u>	<u>\$ (539,340)</u>	<u>\$ 1,586,172</u>

Northern Utilities, Inc.

Docket No. DG 11-069

PUC Staff Information Requests – Set 1

Received: August 17, 2011

Date of Response: September 2, 2011

Request No. Staff 2

Witness: David L. Chong

Request Staff 2-1:

Reference Schedule RevReq 3-13. Does the "Test Year Expense" (\$4,347,100) reflect a reduction for depreciation expense charged to building overheads? If yes, what is the estimated reduction for building overheads for "Total Depreciable Gas Plant"?

Response:

The Test Year Expense of \$4,347,100 reflects a reduction of \$23,713 for depreciation expense charged to building overheads. This amount was inadvertently overlooked and should reduce the line 31 Total Depreciation Gas Plant which would in turn reduce the adjustment by this amount in Schedule RevReq-3-12.

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 2

Received: August 17, 2011
Request No. Staff 2

Date of Response: September 2, 2011
Witness: David L. Chong

Request Staff 2-30:

Ref. Schedule RevReq-3-10 & Chong testimony Bates p. 45-46: Assuming there was a provision for recovery of a portion of the annual PUC assessment through the COG, please calculate what that amount would have been in the test year. Provide supporting schedules.

Response:

As shown in RevReq-3-10, if there were a provision to recover a portion of the assessment through the COG, the Company calculated \$147,687 would be collected through this provision. The calculation of \$147,687 is shown below.

2010 PUC Assesment Fees	232,857
Percentage Fuel ⁽¹⁾	63.4%
Amount to Transfer to FT Mechanisms	<u>147,687</u>

(1) Percentage Fuel is the percentage of flow through revenue collected in 2010

Received: August 17, 2011
Request No. Staff 2

Date of Response:, 2011
Witness: David L. Chong

Request Staff 2-31:

Ref. RevReq-5-4, line 5: Please explain the Net Operating Loss DIT Related to 2010 Tax Year reduction of \$2,069,492 and recalculate Schedule RevReq-5-4 to eliminate the offset attributable to accrued revenues.

Response:

Of the \$2,069,492 NOL DIT in line 5 of Schedule RevReq-5-4, \$1,599,333 is related to accrued revenue as calculated below.

Accrued Rev in 2010 Provision:	\$4,037,699
Multiplied by Effective rate	<u>39.61%</u>
Accrued Rev relative to NOL	\$1,599,333

Please see Staff 2-31 Attachment 1 for a Revised Schedule RevReq-5-4 which reflects this increase in deferred taxes which reduces rate base and the revenue requirement.

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 2

Received: August 17, 2011
Request No. Staff 2

Date of Response: September 2, 2011
Witness: Laurence M. Brock

Request Staff 2-35:

Ref. Schedule RevReq-3-4, line 4: Is the capitalized payroll percentage of 26.7% correct? If not, what is the correct percentage and provide corrected schedules.

Response:

The percentage of 26.7% used in Schedule RevReq-3-4, Page 3, Line 4 is not correct. The rate used in this schedule for the New Hampshire division should be 25.71%. The Company will provide corrected schedules in the next update to the RevReq schedules.

	<u>Total</u>	<u>Maine</u>	<u>New Hampshire</u>
<u>Labor:</u>			
USC - Total Labor Billed	\$ 16,695,200		
Northern - Labor in O&M	\$ 4,203,842	\$ 2,076,934	\$ 2,126,909
Northern - Labor Capitalization	1,530,966	794,756	736,210
Northern - Total Labor	<u>\$ 5,734,808</u>	<u>\$ 2,871,690</u>	<u>\$ 2,863,119</u>
O&M Allocation Factors (revenue)		49.72%	50.28%
Northern - % of total USC Labor Billed	34.35%	17.08%	17.27%
Northern - Total Labor Capitalized	26.70%	27.68%	25.71%

Northern Utilities, Inc.

Docket No. DG 11-069

PUC Staff Information Requests – Set 2

Received: August 17, 2011

Date of Response: September 2, 2011

Request No. Staff 2

Witness: Elizabeth Shaw

Request Staff 2-37:

What is the amount of union bonus payments included in test year expenses? What was charged to O&M expenses and was the FICA taxes associated with the expense?

Response:

The amount of the union bonus payments included in test year expenses is \$43,081, of which \$15,940 was charged to O&M expense. The FICA taxes associated with the bonus payments are \$3,296.

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 2

Received: August 17, 2011
Request No. Staff 2

Date of Response: September 2, 2011
Witness: David L. Chong

Request Staff 2-41:

Ref. Schedule RevReq-3-18, p. 3 of 3, line 10: Please explain why the penalties have been added to taxable income. Please revise the schedule to eliminate the penalties add back. What is the impact on current state and federal income taxes and the overall federal income taxes?

Response:

The Penalties were incidentally added to taxable income in error. Please see Staff 2-41 Attachment 1 for revised schedule. The impact on current state and federal income taxes is \$170 and \$622 decrease, respectively.

NORTHERN UTILITIES INC.
 NEW HAMPSHIRE DIVISION
 COMPUTATION OF FEDERAL AND STATE INCOME TAXES
 12 MONTHS ENDED DECEMBER 31, 2010

LINE NO	(1) DESCRIPTION	(2) TEST YEAR ACTUAL	(3) PRO-FORMA ADJUSTMENTS	(4) TEST YEAR AS PROFORMED
1	NET INCOME	\$ 856,466	\$ -	\$ 856,466
2	FEDERAL INCOME TAX-CURRENT	(1,711,758)		(1,711,758)
3	MISC PRIOR PERIOD ADJUSTMENT	(8,562)		(8,562)
4	NH STATE INCOME TAX-CURRENT	(424,888)		(424,888)
5	NH STATE BUSINESS ENTERPRISE CREDIT AGAINST NH BPT	1,932		1,932
6	DEFERRED FEDERAL INCOME TAX	2,194,686		2,194,686
7	DEFERRED STATE INCOME TAX	555,961		555,961
8	NET INCOME BEFORE INCOME TAXES	1,463,837		1,463,837
	<u>PERMANENT ITEMS</u>			
9	DRUG SUBSIDIES	(7,244)		(7,244)
10	LOBBYING	0		0
11	PENALTIES	2,000	(2,000)	0
12	STATE REGULATORY ASSET AMORTIZATION	106,680		106,680
13	UNALLOWABLE MEALS	955		955
14	TOTAL PERMANENT ITEMS	102,391	(2,000)	100,391
	<u>TEMPORARY DIFFERENCES</u>			
15	ACCRUED REVENUE-FUEL, PPA, CC	(4,037,699)		(4,037,699)
16	BAD DEBT	(43,341)		(43,341)
17	DEFERRED RATE CASE	197,852		197,852
18	INSURANCE CLAIM RESERVE	(51,826)		(51,826)
19	FASB 87-PENSIONS	(747,608)		(747,608)
20	PREPAID PROPERTY TAXES	(102,382)		(102,382)
21	REMEDIAION	148,644		148,644
22	PBOP SFAS 106	144,141		144,141
23	TRANSACTION COSTS	1,938,266		1,938,266
24	TRANSITION COSTS	(370,879)		(370,879)
25	UTILITY PLANT DIFFERENCES	(4,086,096)		(4,086,096)
26	TOTAL TEMPORARY DIFFERENCES	(7,010,928)	0	(7,010,928)
	<u>INVESTMENT TAX CREDIT AMORTIZATION</u>			
27	UNAMORTIZED ITC	(12,840)		(12,840)
28	TOTAL INVESTMENT TAX CREDIT AMORTIZATION	(12,840)	0	(12,840)
	<u>FEDERAL AND STATE TAX DIFFERENCES</u>			
29	TAX DEPRECIATION	470,221		470,221
30	TOTAL FEDERAL AND STATE TAX DIFFERENCES	470,221	0	470,221
31	STATE TAXABLE BASE INCOME	(4,967,319)	(2,000)	(4,969,319)
32	STATE BUSINESS PROFITS TAX - CURRENT	(423,922)	(170)	(424,092)
33	STATE BUSINESS ENTERPRISE TAX CREDIT	(966)		(966)
34	STATE BUSINESS ENTERPRISE TAX	1,932		1,932
	TOTAL STATE TAX EXPENSE	(422,956)	(170)	(423,126)
35	FEDERAL TAXABLE INCOME BASE BEFORE FEDERAL AND STATE TAX DIFFERENCES	(4,564,363)	(1,830)	(4,566,193)
36	LESS: FEDERAL AND STATE TAX DIFFERENCES	470,221		470,221
37	FEDERAL TAXABLE INCOME BASE	(5,034,584)	(1,830)	(5,036,414)
38	FEDERAL INCOME TAX-CURRENT	(1,711,759)	(622)	(1,712,381)
	<u>SUMMARY OF UTILITY INCOME TAXES:</u>			
39	FEDERAL INCOME TAX-CURRENT	(1,739,141)	(622)	(1,739,763)
40	AMOUNT TO NON-UTILITY OPERATIONS	27,383	(27,383)	0
41	MISC PRIOR PERIOD ADJUSTMENT	(8,562)	8,562	0
42	STATE BUSINESS PROFITS TAX-CURRENT	(430,437)	(170)	(430,607)
43	STATE BUSINESS PROFITS TAX-PRIOR	0	0	0
44	AMOUNT TO NON-UTILITY OPERATIONS	7,481	(7,481)	0
45	DEFERRED FEDERAL INCOME TAX (See Schedule RevReq 3-15 P4)	2,194,686	0	2,194,686
46	DEFERRED STATE BUSINESS PROFITS TAX (See Schedule RevReq 3-15 P4)	555,961	0	555,961
47	TOTAL UTILITY INCOME TAXES	\$ 607,370	\$ (27,094)	\$ 580,277

Previous FIT Rate
 Proforma FIT Rate

34%
 35%

Northern Utilities, Inc.
Docket No. DG 11-069
PUC Staff Information Requests – Set 2

Received: August 17, 2011
Request No. Staff 2

Date of Response: September 2, 2011
Witness: Elizabeth Shaw

Request Staff 2-52:

Were salaries, wages and/or benefits adjusted for open positions? If so, what adjustments were made and where are those adjustments reflected in the filing? Provide supporting schedules.

Response:

Salaries and wages were not adjusted for open positions, but the benefits were adjusted. The benefits adjustment is reflected on Workpaper Medical and Dental, page 2 of 2. The company has discovered that the number of open positions at USC as of December 31, 2010 was 10 rather than 13, which was reflected in the original filing. The number of open positions will be corrected in the next update to the NH RevReq schedules.

Request Staff 3-46:

Please provide an updated revenue requirement with all supporting schedules and describe and explain each change (for each change reference related date requests), include a summary of the changes, the impact of each change on the revenue requirement and the total impact.

Response:

An updated revenue requirement dated October 5, 2011 is provided in excel format as Staff 3-46 Attachment 1.

Audit Adjustments

- Not incorporated at this time.
- The Company will update the revenue requirement schedules with all audit adjustments once the final audit report is issued.

RevReq Adjustments

- Incorporated lead lag results in RevReq-5-2.
- Corrected pension and PBOP balances in rate base. See RevReq-5-1, lines 9 and 10.
- Incorporated building overheads in RevReq-3-12 per response to Staff 2-1.
- Split regulatory commission assessment between base and flowthrough based on revenue in RevReq-3-10. See Staff 2-30.
- Removed accrued revenue portion of NOL in RevReq-5-4. See Staff 2-31.
- Removed union bonus payment in RevReq-3. See Staff 2-37.
- Adjustment to taxes related to penalties in RevReq-3-L&Ptax. See Staff 2-41.
- General update to payroll, medical and dental, pension, PBOP, 401K and payroll tax adjustments. See OCA 2-34 (revised open positions from 13 to 10), Staff 1P-12 (revised divisional labor capitalization ratio from 26.70% to 25.71% and open positions from 13 to 10), Staff 2-35 (revised divisional labor capitalization ratio from 26.70% to 25.71%), and Staff 2-52 (revised open positions from 13 to 10). In addition, the Company evaluated the variance between capitalization ratios for employee benefits and salaries and wages. After a complete reconciliation of labor costs, the Company determined that the capitalization ratios were incorrect in the original filing and the labor capitalization ratio should be 36.47% instead of 58.2% in its original filing. Employee benefits capitalization ratios were recalculated as well and resulted in smaller changes from 31.8% in its original filing to 33.44% in this response.

Northern Utilities, Inc.
Docket No. DG 11-069

PUC Staff Information Requests – Set 3-A

Received: September 21, 2011
Request No. Staff 3-A

Date of Response: October 5, 2011
Witness: David L. Chong

Production RevReq Allocation

- Updated RevReq-5-3 to include Portland plant and depreciation balances.
- Added tab RevReq-3-Prod to allocate production O&M and depreciation with the proportional responsibility allocation formula.

Summary Table of Adjustments

	<u>May RevReq</u>	<u>October RevReq</u>	<u>Difference</u>
<u>Rate Base Amounts</u>			
Lead Lag (Cash Working Capital)	\$1,156,936	\$108,009	\$(1,048,927)
Pension and PBOP Balances	(649,582)	(189,359)	460,223
NOL Accrued Revenue	-	(1,599,333)	(1,599,333)
Rate Base Totals	<u>\$507,354</u>	<u>\$(1,680,683)</u>	<u>\$(2,188,037)</u>
<u>Expense Amounts</u>			
Building Overheads	\$-	\$(23,713)	\$(23,713)
Regulatory Commission Assessment	147,687	-	(147,687)
Union Bonus Payment	-	(19,236)	(19,236)
Lobbying and Penalties Taxes	-	(792)	(792)
Payroll	100,199	163,290	63,091
Medical and Dental	46,745	32,631	(14,114)
Pension	8,970	8,647	(323)
PBOP	279,276	271,349	(7,927)
401K	7,139	7,363	224
Payroll Taxes	6,373	11,139	4,766
Production O&M and Depreciation	-	82,363	82,363
Expense Totals	<u>\$596,389</u>	<u>\$533,041</u>	<u>\$(63,348)</u>

Total Impact

Overall, the Company's May filing indicated a revenue requirement of \$3,744,523. The Company's updated October revenue requirement is \$3,453,491.

Request Staff 3-46:

Please provide an updated revenue requirement with all supporting schedules and describe and explain each change (for each change reference related date requests), include a summary of the changes, the impact of each change on the revenue requirement and the total impact.

Supplemental Response:

An updated revenue requirement dated December 2, 2011 is provided in excel format as Staff 3-46 Supplemental Attachment 1. This attachment starts with the revenue requirement dated October 5, 2011 under the initial response to Staff 3-46, and has been updated for the items described below.

RevReq Revenue and Expense Adjustments

- Audit adjustments have been incorporated on Schedule RevReq-3-Audit.
- The CIS billing amortization adjustment has been made on Schedule RevReq-3-CIS Billing per response to Staff 4-1.
- Special contract revenue has been adjusted on Schedule RevReq-3 to reflect the estimate in response to Staff 4-4.
- Northern New Hampshire's portion of the EEI invoice has been removed on Schedule RevReq-3 per response to OCA 4-15.
- IT project amortization has been updated for actual spending through October 31, 2011 and new projections for the remaining two months of 2011 on Schedule RevReq-3-15.
- Schedule RevReq-3-17 has been updated to reflect actual 2011 property tax bills. Property taxes in 2011 have increased above the Company's expectations, and the increase in 2011 is well above the trend over the past several years.

RevReq Rate Base Adjustments

- Net plant has been adjusted by the net plant adjustment on Schedule RevReq-3-CIS Billing per response to Staff 4-1.
- Net plant has also been adjusted by the plant adjustments on Schedule RevReq-3-Audit per the Final Audit Report.

Northern Utilities, Inc.
Docket No. DG 11-069

PUC Staff Information Requests – Set 3-A

Received: September 21, 2011
Request No. Staff 3-A

Date of Response: December 2, 2011
Witness: David L. Chong

Summary Table of RevReq Adjustments

	<u>Oct RevReq</u>	<u>Dec RevReq</u>	<u>Difference</u>
<u>Rate Base Amounts</u>			
Net Plant	81,780,962	81,795,320	14,358
<u>Revenue Amounts</u>			
Special Contract Revenue Increase	-	32,867	32,867
<u>Expense Amounts</u>			
Audit Report	-	(221,091)	(221,091)
EEl Invoice	-	(1,074)	(1,074)
Property Taxes	215,055	734,338	519,282
CIS Billing	-	(43,376)	(43,376)
IT Amortization	155,040	156,819	1,779
Expense Total	<u>370,095</u>	<u>625,615</u>	<u>255,520</u>

Total Revenue Requirement Impact

The Company's October 5 filing indicated a revenue requirement of \$3,453,491. With the additional changes in this supplemental response, the Company's updated December 2 revenue requirement is \$3,679,816.

2012 Step Adjustment Update

The Company also updated its 2012 Step Adjustment to reflect October actual spending with the last two months forecasted in Staff 3-46 Supplemental Attachment 2. The Company incorporated accumulated depreciation in the calculation of rate base, and the Company also updated its weighted-average property tax rate based on 2011 property valuations. The Company's revised 2012 Step Adjustment reflects a revenue requirement of \$1,502,151, which is \$71,129 higher than that calculated in the original May filing of \$1,431,022. The increase in the revised 2012 Step Adjustment is primarily a result of higher actual capital spending in 2011.

Request Staff 4-1:

Ref. LMB-10: The schedule in ME and NH filings are identical and reflect the amortization of acquisition integrations projects as required in the ME and NH merger settlement agreements. In the MPUC rate case (Docket No. 2011-92), the Company's response to ODR 14 states that the test year CIS Billing Integration amortization reflects 8 years rather than 13 years as required per the settlement and calculated the revenue requirement impact. Does the NH test year CIS Billing Integration amortization expense reflect an 8 or 13 year life? If the amortization expense reflects an 8 year life, please calculate the revenue requirement impact based on 13 years.

Response:

The NH test year CIS Billing Integration amortization expense reflects an 8 year life.

See Staff 4-1 Attachment 1 for the calculated revenue requirement impact based on 13 years.

Test Year Adjustment
CIS Billing Integration

	<u>Project Cost</u>	<u>Test Year (1)</u>	<u>Stipulated (2)</u>	<u>RevReq Adjustment</u>
Amortization	902,212	112,777	69,401	(43,376)
Net Plant		780,038	827,028	46,990
Total Revenue Requirement Impact				<u>3,615</u>

(1) Test year reflects 8 year amortization
(2) Stipulated reflects 13 year amortization

Northern Utilities, Inc.
Docket No. DG 11-069

PUC Staff Information Requests – Set 4

Received: November 9, 2011
Request No. Staff 4

Date of Response: November 21, 2011
Witness: George R. Gantz

Request Staff 4-4:

Ref. Staff 3-41: Please provide the increase in annual revenues based on the proposed special contract with National Grid as filed in Docket No. DG 11-231.

Response:

Should the Commission approve the special contract amendment in Docket No. DG 11-231, the Company will calculate an inflation adjustment under the contract, effective December 1, 2011, based on the Consumer Price Index for Urban customers (CPI-U), to be published in late December or early January. As of October, 2011, the annual increase in CPI-U is 3.559%. If this factor were applied to the customer's 2010 usage, the increase in annual revenues would be \$17,152.

Northern Utilities, Inc.

Docket No. DG 11-069

PUC Staff Information Requests – Set 4

Received: November 9, 2011

Date of Response: November 21, 2011

Request No. Staff 4

Witness: Laurence M. Brock

Request Staff 4-15:

Ref. Final Audit Report, p. 31 – General Liability expenses: Please provide the calculation of the agreed upon normalization and revenue requirement impact.

Response:

The calculation of the normalization and revenue requirement impact for the general liability expenses follows:

2008	\$ 78,261
2009	61,522
2010	169,500
Total	309,283
divided by 3	0.333
3-year Average	103,094
Test Year	169,500
Normalization Adjustment	\$ (66,406)