

Prefiled Testimony of Joseph F. Conneely

**NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
2011 / 2012 WINTER SEASON PROPOSED
COST OF GAS ADJUSTMENT
PREFILED TESTIMONY OF
JOSEPH F. CONNEELY**

1 **I. INTRODUCTION**

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

3 A. My name is Joseph F. Conneely. My business address is 6 Liberty Lane West,
4 Hampton, New Hampshire.

5

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

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

14

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

16 A. I graduated from Saint Anselm College, Manchester, New Hampshire in 1999
17 with a Bachelor of Arts degree in Financial Economics. Before joining Unitil, I
18 worked for the Royal Bank of Scotland- Sempra Energy Trading Corp. joint
19 venture (“RBS”) in Greenwich, Connecticut as a senior electricity and natural gas
20 trader. Prior to working for RBS, I was employed as a mid-term electricity and

1 natural gas trader at Morgan Stanley in New York City. Before this position at
2 Morgan Stanley, I ran an energy trading book at Shell Gas and Energy Trading
3 North America in La Jolla, California. I joined Unitil in November 2008.

4
5 **Q. Have you previously testified before the New Hampshire Public Utilities**
6 **Commission?**

7 A. Yes. I testified before the Commission in Northern's Winter Period 2010 – 2011,
8 (Docket DG 10-250) as well as Northern's Summer Period 2011 (Docket DG 11-
9 045) Cost of Gas Adjustment proceedings.

10

11 **II. PURPOSE OF TESTIMONY**

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

13 A. The purpose of my testimony is to explain the 2010-2011 Winter Reconciliation.
14 I will also introduce and describe Northern's proposed changes to its Local
15 Delivery Adjustment Clause ("LDAC") tariff (Page No. 56). Northern is
16 proposing changes to its rates for effect November 1, 2011 for the following
17 items: Residential Low Income Assistance Program ("RLIAP") rate; Demand
18 Side Management ("DSM") rate; and Environmental Response Cost ("ERC") rate.
19 I will also discuss the impact that the proposed Cost of Gas ("COG") would have
20 on bills on the Company's typical residential customer.

21

22

1 **Q. Please explain the Company's 2010/ 2011 Peak Period COG reconciliation.**

2 A. The 2010/2011 Winter Period Cost of Gas Adjustment Reconciliation (Form III),
3 which was filed with the Commission on July 29, 2011, provides a detailed
4 explanation of the Winter under-collection of \$973,628 as of April 30, 2011. This
5 under-collection is a function of a 2010/2011 Peak Period CGF that was lower
6 than actual gas costs and volume.

7

8 **Q. Please describe the proposed change to the RLIAP rate.**

9 A. Northern is proposing to increase the RLIAP rate from \$0.0043 to \$0.0056 per
10 therm effective November 1, 2011.

11

12 **Q. Could you describe the reason for the proposed change to the RLIAP rate?**

13 A. Yes. The Residential Low-Income Assistance Program has been in effect since
14 2005. Northern is not proposing any program changes at this time; however,
15 Northern is proposing to change the RLIAP rate in order to eliminate a currently
16 projected over-collection balance of \$20,874 as of October 31, 2011, as shown on
17 Schedule 16 RLIAP, Page 1 of 2. Northern is also proposing the change due to
18 increases in estimated program costs and number of estimated participants. This
19 analysis is provided in Schedule 16 RLIAP, Page 2 of 2 and is based on actual
20 results for the 12-month period ending August 2011.

21

22 **Q. What changes are being proposed for the DSM charges?**

1 A. The Company is proposing to decrease the DSM charge for the residential classes
2 from \$0.0359 to \$0.0315 per therm, and decrease the charge for the commercial
3 and industrial customer classes from \$0.0152 to \$0.0094 per therm effective
4 November 1, 2011.

5

6 **Q. Please describe the reason for these proposed changes to the DSM rates.**

7 A. The proposed changes to the DSM rates are necessitated by the implementation of
8 Northern's current energy efficiency program budget. That budget is provided
9 in Schedule 16 DSM, Page 1 of 4. The DSM Charge Factor Calculation is
10 provided in Schedule 16 DSM, Page 2 of 4. Information regarding the
11 development of the proposed DSM rate for the residential classes is provided in
12 Schedule 16 DSM, Page 3 of 4. Schedule 16 DSM, Page 4 of 4 provides the
13 support for the proposed DSM rate for the commercial and industrial classes.

14

15 **Q. Please describe the change to Northern's ERC rate that is proposed for effect**
16 **November 1, 2011.**

17 A. The current ERC rate is \$0.0054 per therm. Northern proposes to decrease this
18 charge to \$0.0053 per therm.

19

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

21 A. During the period July 1, 2010 through June 30, 2011, ERC expenses totaled
22 \$121,209. Northern is allowed to recover one-seventh of the actual response

1 costs incurred by the Company in a twelve-month period ending June 30 of each
2 year until fully amortized, plus any insurance and third-party expenses for the
3 year. Any insurance and third-party recoveries or other benefits for the year are
4 used to reduce the unamortized balance. The \$342,842 figure shown on Schedule
5 1 in the Environmental Response Cost filing is comprised of the following:

1/7th ERC costs incurred July 2010 - June 2011	\$17,316
1/7th ERC costs incurred July 2009 - June 2010	\$ 27,091
1/7th ERC costs incurred July 2008 - June 2009	\$ 18,247
1/7th ERC costs incurred July 2007 - June 2008	\$ 33,280
1/7th ERC costs incurred July 2006 - June 2007	\$ 26,686
1/7th ERC costs incurred July 2005 - June 2006	\$ 90,352
1/7th ERC costs incurred July 2004 - June 2005	<u>\$ 129,871</u>
Total	\$342,842

6
7 The prior period reconciliation of ERC costs, an over collection of \$14,554, is
8 included in the annual ERC costs resulting in net ERC costs to be recovered from
9 customers during the period of November 2011 through October 2012 of
10 \$328,288. Dividing these recoverable ERC costs by total annual sales of
11 61,510,387 therms yields an ERC rate of \$0.0053 per therm. This calculation is
12 illustrated in Schedule 16 ERC, Page 1 of 2.

13
14 **Q. Have you prepared typical bill analyses showing the impacts of the proposed**
15 **COG and LDAC rate changes for effect on November 1, 2011 for typical gas**
16 **customers?**

1 A. Yes, Schedule 8 provides the analyses. Schedule 8 shows that a typical
2 residential heating customer consuming 932 ccf during the 2011/ 2012 Winter
3 Season will see a bill of \$1,474.94. This is an increase of \$8.70 or 0.59 %, in
4 comparison to the 2010/2011 Winter Season bill with the same consumption. The
5 CGA and LDAC are decreasing in the 2011/2012 Winter Season from the
6 2010/2011 Winter Season. The slight increase is from the increase in the Base
7 Rate component due to the Temporary Rate that became effective on August 1,
8 2011. This is presented in Schedule 8 page 5 of 5.

9
10 **Q. Does this conclude your testimony?**

11 A. Yes, it does.