

**NORTHERN UTILITIES, INC.  
NEW HAMPSHIRE DIVISION  
2015/2016 WINTER PERIOD  
COST OF GAS ADJUSTMENT FILING  
PREFILED TESTIMONY OF  
JOSEPH F. CONNEELY**

1

2 **I. INTRODUCTION**

3

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

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

7

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

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

16

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

18 A. I graduated from Saint Anselm College, Manchester, New Hampshire in 1999  
19 with a Bachelor of Arts degree in Financial Economics. Before joining Unitil, I  
20 worked for the Royal Bank of Scotland- Sempra Energy Trading Corp. joint

1 venture (“RBS”) in Greenwich, Connecticut as a senior electricity and natural gas  
2 trader. Prior to working for RBS, I was employed as a mid-term electricity and  
3 natural gas trader at Morgan Stanley in New York City. Before this position at  
4 Morgan Stanley, I ran an energy trading book at Shell Gas and Energy Trading  
5 North America in La Jolla, California. I joined Unitil in November 2008.

6

7 **Q. Have you previously testified before the New Hampshire Public Utilities**  
8 **Commission?**

9 A. Yes. I have testified in a similar role several times in the Company’s Cost of Gas  
10 Adjustment proceedings.

11

12 **II. PURPOSE OF TESTIMONY**

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

14 A. The purpose of my testimony is to introduce and describe Northern's proposed  
15 changes to its Local Delivery Adjustment Clause (“LDAC”) tariff (Page No. 59).  
16 Northern is proposing changes to its rates for effect November 1, 2015 for the  
17 following items: the Residential Low Income Assistance and Regulatory  
18 Assessment Costs (“RLIARA”) Rate, the Demand Side Management (“DSM”) Rate and the Environmental Response Cost (“ERC”) Rate. The Company  
19 proposes to include the outstanding balances in the Reconciliation of Permanent  
20 Charges in Delivery Rates (RPC) and the Expenses Related to Rate Case (RCE)  
21 within the ERC. I will also discuss the impact that the proposed Cost of Gas  
22

1 (“COG”) will have on bills of the Company’s typical residential heating gas  
2 customer.

3

4 **Q. What are the surcharges that will be billed under the LDAC?**

5 A. The Company is submitting for approval an LDAC of \$0.0374 per therm for the  
6 residential class, and \$0.0223 per therm for the commercial/industrial class. The  
7 surcharges currently billed under the LDAC are the DSM Rate, the ERC Rate,  
8 and the RLIARA Rate. The Rate Case Expense Rate (RCE), the Reconciliation of  
9 Permanent Rates (RPC), and the Interruptible Transportation Margin (ITM) Rate  
10 are \$0.0000 per therm.

11

12 **Q. Please describe the purpose of the RLIARA Rate.**

13 A. The purpose of this rate is to allow the Company to recover the revenue discounts  
14 associated with customers participating in the Residential Low Income Assistance  
15 Program, as well as the associated administrative costs of that program, pursuant  
16 to DG 05-076. This rate also recovers the non-distribution portion of the annual  
17 NHPUC Regulatory Assessment to the Company pursuant to DG 11-069. The  
18 RLIARA Rate is charged on all firm gas sales and firm delivery service  
19 throughput billed under the Company’s sales and delivery service rate schedules.

20

21 **Q. Please describe the proposed change to the RLIARA rate.**

1 A. Northern is proposing to increase the RLIARA Rate from \$00078 to \$0.0099 per  
2 therm effective November 1, 2015.

3

4 **Q. Could you describe the derivation of the proposed RLIARA Rate?**

5 A. The RLIARA Rate is derived by estimating the Company's Low-Income Program  
6 and Regulatory Assessment costs and the account balance as of October 31, 2015.  
7 The Low-Income Program costs are estimated to be \$469,670 and are shown on  
8 Schedule 16 RLIARA, Page 1 of 3, Line 21. Lines 1 -19 explain the derivation of  
9 these costs.

10 Also, in Docket DG 11-069, the Commission authorized the Company to begin  
11 recovery of the actual non-distribution portion of the annual NHPUC Regulatory  
12 Assessment in its RLIARA. The estimated 2015 Assessment, \$278,676, is shown  
13 on Schedule 16 RLIARA, Page 1 of 3, Line 24 and is based on the NHPUC  
14 invoice dated September 1, 2015.

15 Lastly, the projected over-collection balance of the RLIARA is (\$33,940) as of  
16 October 31, 2015 and is derived as shown on Page 2 of 3.

17 The total amount of these three factors is \$714,406 and is divided by the  
18 estimated weather normalized firm therms billed for the twelve months ended  
19 October 31, 2016 to derive the proposed RLIARA charge of \$0.0099 per therm.

20

21 **Q. What is the purpose of the DSM charge?**

1 A. The purpose of the DSM charge is to establish a procedure that allows the  
2 Company to adjust the Conservation Charge applicable to firm gas sales and firm  
3 delivery service throughput on an annual basis in order to recover from firm  
4 ratepayers Energy Efficiency Program costs, pursuant to Order No. 24,109 in  
5 Docket DG 02-106.

6  
7 **Q. What are the changes being proposed to the DSM charges?**

8 A. The Company is proposing to decrease the DSM charge for the residential classes  
9 from \$0.0350 per therm to \$0.0297 per therm, and increase the charge for the  
10 commercial and industrial customer classes from \$0.0138 per therm to \$0.0146  
11 per therm effective November 1, 2015.

12  
13 **Q. Please describe the reason for these proposed changes to and the derivation**  
14 **of the DSM Rates.**

15 A. The proposed changes to the DSM Rates are necessitated by the implementation  
16 of Northern's calendar year 2015 energy efficiency program budget. That  
17 budget is provided in Schedule 16 DSM, Page 1 of 4. The proposed changes also  
18 include over-collections in the beginning balance largely due to actual  
19 throughput being higher than forecasted for both classes of customer over this  
20 past year.

21 The DSM Charge Factor Calculation is provided in Schedule 16 DSM, Page 2 of  
22 4. As shown the rate is derived by customer class and includes an annual

1 reconciliation of the program costs and share-holder incentive with an adjustment  
2 for the low-income discount costs. Information regarding the development of the  
3 proposed DSM rate for the residential classes is provided in Schedule 16 DSM,  
4 Page 3 of 4. Schedule 16 DSM, Page 4 of 4 provides the support for the  
5 proposed DSM rate for the commercial and industrial classes.

6

7 **Q. Is the Company proposing to include the charges of the RCE and RPC?**

8 A. No, however, in Order 25,653 dated April 21, 2014 in Docket No. 13-086, the  
9 Company was instructed to reconcile the RCE and RPC adjustments to the LDAC  
10 through June 30, 2015 with actual revenues collected. The Commission further  
11 directed the Company to recommend treatment of any outstanding balances.  
12 On July 30, 2015, the Company submitted to the NHPUC a Compliance Filing in  
13 Docket No. DG 13-086 to satisfy this directive. The RCE reconciliation included  
14 the period May 1, 2014 through June 30, 2015. The result was an over-collection  
15 of (\$3,674).  
16 The RPC reconciliation included the period May 1, 2014 through June 30, 2015.  
17 The result was an over-collection of (\$253,439).  
18 The total net of these reconciliations is an over-collection of (\$257,113). The  
19 Company proposes these over-collections and any associated prior period  
20 adjustments be aggregated and included in the ERC balance for inclusion in this  
21 ERC Rate Filing.

22

1    **Q.    Please explain the purpose of Northern’s ERC Rate.**

2    **A.**    The purpose of the ERC Rate is to recover expenditures associated with former  
3            manufactured gas plants. The ERC Rate is applied to all firm gas sales and firm  
4            delivery service throughput billed under the Company’s sales and delivery service  
5            rate schedules. The costs submitted for recovery through the ERC cost recovery  
6            mechanism are presented in the ERC Filing submitted in this Docket under  
7            separate cover. The environmental investigation and remediation costs that  
8            underlie these expenses are the result of efforts by the Company to respond to its  
9            legal obligations with regard to the sites located in Exeter and Rochester, New-  
10           Hampshire. In total, the Company has incurred environmental remediation costs  
11           of \$112,198 from July 2014 through June 2015. A summary sheet and detailed  
12           backup spreadsheets are provided in the ERC Filing that supports the 2014-2015  
13           costs that the Company is submitting. The Company is prepared to provide  
14           additional testimony and exhibits, if necessary, to further support recovery of  
15           these amounts after the Commission Staff has completed its review of these costs.

16

17   **Q.    Please describe the change to Northern’s ERC Rate that is proposed for**  
18           **effect November 1, 2015.**

19   **A.**    The current ERC Rate is \$0.0018 per therm. Northern proposes to decrease this  
20           charge to a credit of (\$0.0022) per therm. This credit is due to the ERC costs  
21           being less than the estimated over-collection balance expected on October 31,

1           2015 and the over collection balances from the RCE/RPC in Docket No. DG 13-  
2           086, as explained above.

3

4   **Q.    Please explain the calculation of the proposed ERC Rate.**

5    A.    As stated above, during the period July 1, 2014 through June 30, 2015, ERC  
6           expenses totaled \$112,198. Northern is allowed to recover one-seventh of the  
7           actual response costs incurred by the Company in a twelve-month period ending  
8           June 30 of each year until fully amortized, plus any insurance and third-party  
9           expenses for the year or \$16,028 (see table below). Thus, the ERC rate typically  
10          includes the current year and six prior years of unamortized amounts. Any  
11          insurance and third-party recoveries or other benefits for the year are used to  
12          reduce the unamortized balance. The \$132,297 shown on Schedule 1 in the  
13          Environmental Response Cost filing and Schedule 16-ERC in this filing is  
14          comprised of the following:

|  |                  |
|--|------------------|
| 1/7th ERC costs incurred July 2013 - June 2015 | \$18,247         |
| 1/7th ERC costs incurred July 2012 - June 2013 | \$ 27,091        |
| 1/7th ERC costs incurred July 2011 - June 2012 | \$ 17,316        |
| 1/7th ERC costs incurred July 2010 - June 2011 | \$ 22,717        |
| 1/7th ERC costs incurred July 2009 - June 2010 | \$ 25,058        |
| 1/7th ERC costs incurred July 2008 - June 2009 | \$ 5,840         |
| 1/7th ERC costs incurred July 2007 - June 2008 | <u>\$ 16,028</u> |
| Total  | \$132,297*       |

15                           \*As shown on Schedule 16-ERC Page 1 of 2.

16           Also used to derive the ERC Rate is the prior period reconciliation of ERC costs.

17           It is estimated to be an over collection of (\$33,536), as shown on Schedule 16-



1 ERC Page 2 of 2. Further as indicated above, the over collection from the  
2 RCE/RPC in Docket No. DG 13-086 of (\$257,113) is included in the annual ERC  
3 costs. Thus, the final result of net ERC costs is a credit to customers during the  
4 period of November 2015 through October 2016 of (\$158,352). Dividing these  
5 recoverable ERC credits by projected total annual sales of 72,355,914 therms  
6 yields an ERC Rate of (\$0.0022) per therm. This calculation is illustrated in  
7 Schedule 16 ERC, Page 1 of 2.

8

9 **Q. Does the proposed LDAC include a credit for Interruptible Transportation**  
10 **Margins?**

11 A. No. The Company has not provided any Interruptible Transportation service  
12 during the past year and therefore, has not earned any margins to credit back to  
13 sales customers.

14  
15 **Q. Have you prepared typical bill analyses showing the impacts of the proposed**  
16 **COG and LDAC rate changes for effect on November 1, 2015 for typical**  
17 **residential heating gas customers?**

18 A. Yes, Schedule 8 provides the analyses. It shows that a typical residential heating  
19 customer consuming 639 therms during the 2015/2016 Winter Season will expect  
20 a bill of \$931.88. This is a decrease of \$192.35, or 17% compared to the  
21 2014/2015 Winter Season bill with the same consumption.

22

1 **Q.** Does this conclude your testimony?

2 **A.** Yes, it does.