NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2016 / OCTOBER 2017 ANNUAL PERIOD COST OF GAS ADJUSTMENT FILING
PREFILED TESTIMONY OF
JOSEPH F. CONNEELY

I. INTRODUCTION

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

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

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

A. 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 managing and filing reporting requirements.

Q. Please summarize your professional and educational background.

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

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

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

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

II. PURPOSE OF TESTIMONY

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

A. The purpose of my testimony is to introduce and describe Northern's proposed changes to its Local Delivery Adjustment Clause ("LDAC") tariff (Page Nos. 44-59). Northern is proposing changes to its rates for effect November 1, 2016 for the following items: the Residential Low Income Assistance and Regulatory Assessment Costs ("RLIARA") Rate, the Energy Efficiency Charge (EEC)[1], and the Environmental Response Cost ("ERC") Rate. As described below, the Lost Revenue Rate ("LRR") is a new rate mechanism proposed for effect January 1, 2017. I will also discuss the impact that the proposed Cost

[1] The Company is proposing to use the term Energy Efficiency Charge in place of Conservation Charge.

of Gas ("COG") will have on bills of the Company's typical residential heating gas customer.

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

A. The Company is submitting for approval an LDAC of $0.0483 per therm for the residential classes, and $0.0294 per therm for the commercial/industrial classes effective November 1, 2016. The Company has included in this filing, a Fourth Revised Page 59 with effective dates of November 1, 2016.

This filing also includes a Fifth Revised Page 59 with an effective date of January 1, 2017 to reflect the start date of the LRR. The Fifth Revised Page 59 proposes a LDAC of $0.0489 for residential classes and $0.0296 for commercial/industrial classes.

The surcharges currently billed under the LDAC are the EEC, the ERC Rate, and the RLIARA Rate. The Rate Case Expense Rate (RCE), the Reconciliation of Permanent Rates (RPC), and the Interruptible Transportation Margin (ITM) Rate are $0.0000 per therm. Effective January 1, 2017, the proposed LRR is $0.0006 for the residential classes, and $0.0002 for the commercial/industrial classes.

Q. Please describe the purpose of the RLIARA Rate.

A. The purpose of this rate is to allow the Company to recover the revenue discounts associated with customers participating in the Residential Low Income Assistance Program, as well as the associated administrative costs of that program, pursuant to DG 05-076. This rate also recovers the non-distribution portion of the annual NHPUC

Regulatory Assessment to the Company. The RLIARA Rate is charged on all firm gas sales and firm delivery service throughput billed under the Company's sales and delivery service rate schedules.

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

A. Northern is proposing to decrease the RLIARA Rate from $0.0099 to $0.0096 per therm effective November 1, 2016.

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

A. The RLIARA Rate is derived by estimating the Company's Low-Income Program and Regulatory Assessment costs and the account balance as of October 31, 2016.

The Low-Income Program costs are estimated to be $450,274 and are shown on Schedule 16 RLIARA, Page 1 of 3, Line 21. Lines 1 -19 explain the derivation of these costs.

The estimated 2016 NHPUC Regulatory Assessment, $219,335, is shown on Schedule 16 RLIARA, Page 1 of 3, Line 24 and is based on the NHPUC invoice dated September 1, 2016.

Lastly, the projected under-collection balance of the RLIARA is $24,247 as of October 31, 2016 and is derived as shown on Page 2 of 3.

The total amount of these three factors is $693,855 and is divided by the estimated weather normalized firm therms billed for the twelve months ended October 31, 2017 to derive the proposed RLIARA charge of $0.0096 per therm.

Q. What is the purpose of the EEC?

A. The purpose of the EEC is to recover from firm ratepayers Energy Efficiency program costs and performance incentives.

Q. What are the changes being proposed to the EEC?

A. The Company is proposing to increase the EEC for the residential classes from $0.0297 per therm to $0.0331 per therm, and decrease the charge for the commercial and industrial customer classes from $0.0146 per therm to $0.0142 per therm effective November 1, 2016.

Q. Please describe the reason for these proposed changes to and the derivation of the EEC.

A. The proposed changes to the EEC are necessitated by the implementation of Northern's calendar year 2017 energy efficiency program budget. That budget is provided in Schedule 16 EEC, Page 1 of 4. The proposed changes also include over-collections in the beginning balance largely due to actual costs being lower than forecasted for both classes of customer over this past year.

The EEC is provided in Schedule 16 EEC, Page 2 of 4. As shown the rate is derived by customer class and includes an annual reconciliation of the program costs and performance incentives with an adjustment for the low-income discount costs.

Information regarding the development of the proposed charge for the residential classes is provided in Schedule 16 EEC, Page 3 of 4. Schedule 16 EEC, Page 4 of 4 provides the support for the proposed rate for the commercial and industrial classes.

Q. Please explain the purpose of the LRR?

A. The purpose of the LRR is to recover lost distribution revenue related to the Company's energy efficiency programs. This rate mechanism is being established in accordance with Order No. 25,932 in DE 15-137 approving a Settlement Agreement which provides for the implementation of a lost revenue adjustment mechanism to recover lost revenue due to the installation of energy efficiency measures beginning on January 1, 2017.

Q. What is the proposed rate for effect January 1, 2017?

A. The proposed rate for the residential classes is $0.0006 per therm and the proposed rate for the commercial classes is $0.0002.

Q. Please explain the calculation of the proposed LRR?

A. The calculation of the LRR is provided on Schedule 16-LRR. As shown on Page 1 of 4, the LRR for each sector (residential and commercial/industrial) is derived by dividing the projected annual lost revenue, plus the reconciliation balance, plus projected interest, by forecast firm annual throughput. Page 2 of 4 provides the projected reconciliation of costs and revenue for the period January 2017 through October 2017. This page also provides the calculation of estimated lost distribution revenue based on estimated savings. Page 3 of 4 provides the calculation of the Company's average distribution rates by sector, excluding customer charges. Page 4 of 4 provides further detail for the estimated savings that are used in the calculation of lost revenue on Page 2 of 4.

Q. Has the Company updated its LDAC tariff to incorporate the LRR?

A. Yes. The Company has provided a red-line of its LDAC tariff (pages 44 to 58C) to incorporate the LRR. The Company has also made some housekeeping related to the Energy Efficiency Charge, RLIARA, and change to annual COG filing approved by the Commission in DR 16-564. These LDAC tariff pages are proposed to become effective November 1, 2016.

Q. Please explain the purpose of Northern's ERC Rate.

A. The purpose of the ERC Rate is to recover expenditures associated with former manufactured gas plants. The ERC Rate is applied to all firm gas sales and firm delivery service throughput billed under the Company's sales and delivery service rate schedules. The costs submitted for recovery through the ERC cost recovery mechanism are presented in the ERC Filing submitted in this Docket under separate cover. The environmental investigation and remediation costs that underlie these expenses are the result of efforts by the Company to respond to its legal obligations with regard to the sites located in Exeter and Rochester, New- Hampshire. In total, the Company has incurred environmental remediation costs of $2,179,855 from July 2015 through June 2016. A summary sheet and detailed backup spreadsheets are provided in the ERC Filing that supports the 2015-2016 costs that the Company is submitting. The Company is prepared to provide additional testimony and exhibits, if necessary, to further support recovery of these amounts after the Commission Staff has completed its review of these costs.

Q. Please describe the change to Northern's ERC Rate that is proposed for effect November 1, 2016.

A. The current ERC Rate is a credit of ($0.0022) per therm. Northern proposes to increase this to a charge of $0.0056 per therm.

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

A. As stated above, during the period July 1, 2015 through June 30, 2016, ERC expenses totaled $2,179,855. Northern is allowed to recover one-seventh of the actual response costs incurred by the Company in a twelve-month period ending June 30 of each year until fully amortized, plus any insurance and third-party expenses for the year or $311,412 (see table below). Thus, the ERC rate typically includes the current year and six prior years of unamortized amounts. Any insurance and third-party recoveries or other benefits for the year are used to reduce the unamortized balance. The $425,462 shown on Schedule 1 in the Environmental Response Cost filing and Schedule 16-ERC in this filing is comprised of the following:

1/7th ERC costs incurred July 2015 - June 2016	$311,412
1/7th ERC costs incurred July 2014 - June 2015	$ 16,028
1/7th ERC costs incurred July 2013 - June 2014	$ 5,840
1/7th ERC costs incurred July 2012 - June 2013	$ 25,058
1/7th ERC costs incurred July 2011 - June 2012	$ 22,717
1/7th ERC costs incurred July 2010 - June 2011	$ 17,316

1/7th ERC costs incurred July 2009 - June 2010	$ 27,091
Total	$425,412*

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

Also used to derive the ERC Rate is the prior period reconciliation of ERC costs. It is estimated to be an over collection of ($19,230), as shown on Schedule 16-ERC Page 2 of 2. The final result of net ERC costs is a cost to customers during the period of November 2016 through October 2017 of ($406,232). Dividing these recoverable ERC credits by projected total annual sales of 72,641,339 therms yields an ERC Rate of $0.0056 per therm. This calculation is illustrated in Schedule 16 ERC, Page 1 of 2.

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

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

Q. Have you prepared typical bill analyses showing the impacts of the proposed COG and LDAC rate changes for effect on November 1, 2016 for typical residential heating gas customers?

A. Yes, Schedule 8, pages 1 through 5 provides the analyses. It shows that a typical residential heating customer consuming 695 therms during the 2016/2017 Winter Season will expect a bill of $1,076.23. This is an increase of $90.20, or 9% compared to the 2015/2016 Winter Season bill with the same consumption.

Q. How will the proposed LRR change for effect on January 1, 2017 through April 30, 2017 impact bills for typical residential heating gas customers?

A. A typical residential heating customer consuming 539 therms between January 2017 and April 2017 will see an increase of their bill due to the LRR of $0.32.

Q. Have you prepared typical bill analyses showing the impacts of the proposed COG and LDAC for effect on May 1, 2017 for typical residential heating gas customers?

A. Yes, Schedule 8, pages 6 through 10 provides this analysis. It shows that a typical residential heating customer consuming 127 therms during the 2017 Summer Season will expect a bill of $255.00. This is an increase of $7.39, or 3% compared to the 2016 Summer Season bill with the same consumption.

Q. Does this conclude your testimony?

A. Yes, it does.