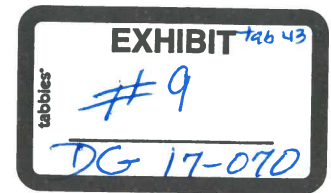




February 27, 2019

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429



NHPUC 28 FEB 19 AM 10:49

Re: Northern Utilities, Inc. – Docket No. DG 19-____ Step 2 Distribution
Rate Adjustment Effective May 1, 2019

Dear Director Howland:

In accordance with the Settlement Agreement (“the Settlement”) approved on May 2, 2018 by the New Hampshire Public Utilities Commission (“the Commission”) in the above-referenced proceeding, Northern Utilities, Inc. d/b/a (“the Company” or “Unitil”) hereby opts to submit its Step 2 distribution rate adjustment for effect May 1, 2019.¹ The proposed distribution rate schedules (clean and red-lined tariff sheets) are included as Attachment 1. The proposed distribution rate adjustment is to recover the annual revenue requirement associated with the Company’s investments in Step 2 Eligible Facilities² during calendar year 2018. Also enclosed is the affidavit of Todd Diggins, Director of Finance for Unitil.

The revenue requirement associated with Eligible Facilities is \$1,431,349, which is below the remaining \$2.2 million cap on such investments. This requirement is calculated in Attachment 2, at Page 1, and is based on the method illustrated in Exhibit 3 of the Settlement. As shown, Northern invested \$10.0 million in Eligible Facilities during 2018. (The 2018 Eligible Facilities project detail is summarized in Attachment 2, at Page 2.) Attachment 2, Page 3, shows the calculation of rate plan depreciation expense by account. Lastly, Attachment 2, at Page 4, provides the pre-tax rate of return derivation using the Company’s authorized return on equity of 9.50% in the above-referenced proceeding.

The increase in distribution rates is calculated based on the method illustrated in Exhibit 4 of the Settlement. Attachment 3 includes the derivation and the proposed distribution rates.

¹ Under the Settlement, if the Company chooses the option to implement the second step increase, then the Company’s next filing of a distribution base rate case shall be based on an historic test year of no earlier than twelve months ending December 31, 2020. See paragraph 2.4, page 6 of the Settlement Agreement.

² The Company’s Gas Main Extensions consist of extensions and gas mains, excluding services, costing more than \$30,000 as required to serve customers under the Company’s line extension policy; the New Hampshire Main Replacement Program covers replacement of cast iron and bare steel mains, services and associated facilities; the Gas Highway Projects City State covers replacement of facilities caused by forced relocations of gas facilities due to City and State roadway and municipal infrastructure project (e.g., sewer separation); the Rochester Reinforcement Project includes reinforcement of the Distribution Hi-Line located in Dover as well as mains and regulator station reinforcements required in Rochester.

Gary Epler
Chief Regulatory Counsel
epler@unitil.com

6 Liberty Lane West
Hampton, NH 03842

The impact of the Step 2 Distribution Rate Adjustment on each customer class is illustrated in Attachment 4. The impacts are shown from a distribution-only and a total monthly bill basis. For the Residential Heating customer class, the monthly increases range from 1.9% to 4.1%, on a total bill basis, depending on the customer's usage level. Bill impacts for other rate classes are similar, but vary based on consumption level and pattern.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler". The signature is fluid and cursive, with the first name "Gary" and last name "Epler" clearly distinguishable.

Gary Epler
Attorney for Northern Utilities, Inc.

Attachments

cc: Service List