

**THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

DG 13-086

NORTHERN UTILITIES, INC.

**PETITION OF NORTHERN UTILITIES, INC.
FOR RATE ADJUSTMENTS**

NOW COMES Northern Utilities, Inc. (“Northern” or “the Company”) and, pursuant to NH RSAs 378:7, 378:27, 378:28 and 378:29, respectfully petitions (the “Petition”) the New Hampshire Public Utilities Commission (“the Commission”) for authority to: (1) implement new permanent rates beginning May 15, 2013 for natural gas delivery service at the levels set forth in Northern’s proposed revised tariff filed with this Petition; (2) replace certain pages of Northern’s current tariff, NHPUC No.10-Gas, with proposed revised tariff pages; (3) implement a multi-year alternative rate plan, which includes implementation of a capital cost recovery mechanism; (4) make a number of rate design changes to allow continued movement towards cost-based distribution rates; and (5) if the Commission suspends the requested effective date of Northern’s permanent rates, implement temporary rates beginning July 1, 2013, for natural gas delivery service at rate levels set forth in Supplement No. 2 to Northern’s Tariff NHPUC No. 10-Gas.

In support of this Petition, Northern states as follows:

A. **RATE INCREASE AND REVISED TARIFF**

1. On March 15, 2013, pursuant to NH RSA 378:3 and New Hampshire Code of Administrative Rules Puc 1604.05, Northern filed with the Commission a Notice of Intent to File Rate Schedules.

2. With this Petition, Northern is filing revisions to its tariff, NH PUC No. 10-Gas (“the permanent rates tariff”). The revised tariff has a proposed effective date of May 15, 2013 and is intended to produce a permanent increase in annual revenues of \$5,171,302, based upon a test year ending December 31, 2012, an overall rate of return on rate base of 8.54 percent, and known and measurable adjustments to test year revenues, expenses and rate base. This rate relief will result in a 9.4 percent increase in the Company’s test year operating revenues.

3. Pursuant to NH RSA 378:8 and N.H. Admin. Rule Puc 1600 *et seq.*, Northern is filing, with this Petition, direct testimony and schedules in support of the permanent rates tariff and supplemental information required by the Commission, all of which is incorporated herein by reference.

B. RATE PLAN

4. Northern requests permission to implement a multi-year alternative rate plan (the “Rate Plan”), which will allow for future changes to Northern’s distribution rates without the need to file a general rate case prior to April 2017. As part of the Rate Plan, Northern requests permission to implement a capital cost recovery mechanism, called the Targeted Infrastructure Replacement Adjustment (“TIRA”), to allow it to recover the prudently-incurred costs of its bare steel replacement program and other infrastructure replacement projects. Support for the Rate Plan and TIRA is provided in the direct testimonies of Thomas P. Meissner, Jr., and James D. Simpson.

C. COST-BASED DISTRIBUTION RATES

5. Northern requests authority to make a number of improvements to its rate design, consistent with those made in its 2011 Base Rate Case, to recover a greater portion of predominately fixed costs associated with the provision of distribution service through the fixed customer charge component of rates. Support for the proposed rate design is provided in the direct testimonies of James D. Simpson and Paul M. Normand.

D. TEMPORARY RATES

6. Pursuant to NH RSA 378:6, the Commission may suspend the effective date of Northern's permanent rates tariff pending an investigation by the Commission under NH RSA 378:5 into the reasonableness of the permanent rates tariff. If the Commission suspends Northern's permanent rates tariff, Northern requests that temporary rates be established in accordance with NH RSA 378:27, which provides that the Commission may, after reasonable notice and hearing, if the public interest so requires, prescribe reasonable temporary rates for the duration of a rate proceeding, sufficient to yield not less than a reasonable return on the cost of the utility's property used and useful in service to the public, less accrued depreciation.

7. Northern requests that if such temporary rates are set, they be established to enable recovery of revenue of \$2,518,576 on an annualized basis, at the levels set forth in the enclosed proposed Supplement No. 2 to tariff NHPUC No. 10-Gas, commencing with service rendered on July 1, 2013, and until the date a final, non-appealable order establishing permanent rates is issued. The calculation of the proposed temporary rate amount is provided in Schedule DLC-1, attached to the direct testimony of David L. Chong. Northern

proposes to recover this increase on a uniform per therm basis applied to all Rate Schedules.

The calculation of the proposed per therm amount is provided in the direct testimony of Douglas J. Debski.

In support of this request, Northern notes that during the twelve months ended December 31, 2012 (the test year underlying the permanent rates tariff), Northern earned a weather-normalized return on equity of approximately 5.8 percent. This amount is substantially lower than the Company's authorized return on equity of 9.5 percent, and indicates that Northern's current rates are causing earnings attrition.

8. Northern is seeking a temporary rate increase in lieu of establishing temporary rates at current levels in order to expeditiously address the above-described earnings attrition. In addition, because the Company's under-earning situation is expected to be exacerbated by increased expenditures over the next several months, Northern is in immediate need of the level of temporary rate relief indicated above. Furthermore, granting a temporary rate increase will provide for a smoother transition from current to permanent rates to be collected from customers at the conclusion of the permanent rate case.

WHEREFORE, Northern respectfully requests that the Commission:

A. Expeditiously issue an order of notice scheduling a hearing upon the within Petition;

B. Following an investigation pursuant to NH RSA 378:5 concerning the reasonableness of the proposed rates and revised tariffs filed with this Petition, enter an order authorizing Northern to implement the proposed rates and tariffs as permanent effective for service rendered on and after May 15, 2013;

C. If the Commission suspends Northern's proposed permanent rates tariff, establish temporary rates in accordance with NH RSA 378:27, and, following a hearing, enter an order authorizing temporary rates at the levels set forth in Supplement No. 2 to Northern's tariff NHPUC No. 10-Gas for service rendered on and after July 1, 2013, until the date a final, non-appealable order establishing permanent rates is issued;

D. In the event that the Commission finally determines permanent rates in amounts exceeding temporary rates, enter an order pursuant to NH RSA 378:29 authorizing Northern to collect the difference from customers;

E. Enter an order authorizing Northern to implement the Rate Plan and TIRA mechanism as proposed herein;

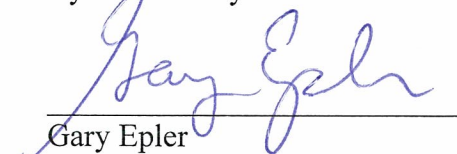
F. Enter an order authorizing Northern to make the rate design changes proposed herein; and

G. Grant such further relief as may be just and appropriate.

Respectfully submitted

NORTHERN UTILITIES, INC.

By its Attorney:



Gary Epler
Chief Regulatory Counsel
Unitil Service Corp.
6 Liberty Lane West
Hampton, NH 03842-1720
603-773-6440
Epler@unitil.com

Dated: April 15, 2013

Certificate of Service

I hereby certify that on April 15, 2013, a copy of the foregoing Petition was hand
delivered to the Office of Consumer Advocate.



Gary Epler