



March 16, 2012

**CONFIDENTIAL  
MATERIAL  
IN COMM FILE**

**BY HAND-DELIVERY**

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

**RE: Docket No. DG 11-069, Northern Utilities, Inc. New Hampshire  
Division, Reconciliation of Permanent Changes in Delivery Rates  
and Rate Case Expense Filing**

Dear Director Howland:

Enclosed for filing on behalf of Northern Utilities, Inc. ("Northern") are an original and six (6) copies of Northern's Reconciliation of Permanent Changes in Delivery Rates and Rate Case Expense Filing. This filing is being made in accordance with a settlement agreement in this proceeding which is soon to be filed.

The recoupment of the difference between temporary and permanent rates, consistent with RSA 378:29, shall be recovered over a twelve month period beginning May 1, 2012 through a class-based charge per therm, in accordance with the provisions of Northern's Local Delivery Adjustment Clause ("LDAC") tariff. The proposed class based charges for the Reconciliation of Permanent Changes in Delivery Rates ("RPC") are \$0.0488 per therm for the residential rate classes (R-5, R-10, R-6, R-11), \$0.0227 per therm for the small commercial and industrial rate classes (G-40/T-40 and G-50/T-50), and (\$0.0102) per therm for the medium and large commercial and industrial rate classes (G-41/T-41, G-51/T-51, G-42, T-42, and G-52/T-52).

Northern's Rate Case Expense shall be recovered over a twelve month period beginning May 1, 2012 through a uniform charge per therm, including interest, in accordance with the provisions of Northern's LDAC tariff. The proposed Rate Case Expense rate ("RCE") effective May 1, 2012 is \$0.0046 per therm.

In support of these proposed rates, this filing includes (1) Attachment 1 - Reconciliation of Permanent Changes in Delivery Rates; (2) Attachment 2 - Rate Case Expense Calculation; (3) Summary - Rate Case Cost Invoices; (4) Invoice Reference; and (5) Invoices. The summary page and invoice reference provide a summary of Northern's rate case costs by vendor including page references to the supporting invoices in Tabs 1 through 8.

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Description of Attachment 1

Page 1 of Attachment 1 provides the calculation of the proposed RPC rates. Page 2 reflects the actual customers and therms delivered from the time temporary rates went into effect, August 1, 2011 up to the most recent data for this filing, February 29, 2012. The period March 1, 2012 to April 30, 2012 reflects the Company's most recent forecast. The forecasted period will be adjusted to reflect actuals in the Company's reconciliation filing due on or before July 31, 2013. This filing will also include a recommendation for the treatment of any under- or over-recovered balances at the end of the twelve month period. Page 2 also contains the permanent rates for effect May 1, 2012 (pursuant to the soon to be filed settlement agreement), excluding the step adjustments. On page 3, the permanent rates are multiplied by the customers and therms to determine the amount of revenue that would have been collected had the permanent rates been in effect since August 1, 2011. The actual revenue from August 1, 2011 through February 29, 2012 and the forecasted revenue from March 1, 2012 to April 30, 2012 (without permanent rates) are then subtracted from the calculated revenue at permanent rate levels to calculate the recoupment (Recoupment (Permanent Revenue-Actual Revenue)).

In addition to the Recoupment (Permanent Revenue-Actual Revenue), the recoupment also reflects lost low income revenue calculated on pages 5 and 6. This recoupment is attributable to lost low income revenue as derived by taking the low income customers and corresponding usage, applying the permanent rates, and then subtracting out the revenue collected at the current rates. The lost low income revenue from the low income classes was divided by the total therms billed in each month to calculate a per-therm factor for the lost income from low income discount customers. On page 4, this per-therm factor is then applied to each class to calculate the lost income revenue attributable to each class. This amount is then added to the Recoupment (Permanent Revenue-Actual Revenue) to determine a total of \$759,078 (Total Recoupment (Permanent Revenue-Actual Revenue+Lost Income)). As summarized on page 1, the recoupment amount for the residential class is \$832,152, the recoupment amount for the small commercial and industrial class is \$262,930, and the recoupment amount for the medium and large commercial and industrial class is (\$336,004).

Description of Attachment 2

Attachment 2 provides a calculation of the proposed RCE rate. As shown on Attachment 2 and on the Summary page, the proposed Rate Case Expense to be recovered is \$281,484. This amount includes actual expense incurred through February 29, 2012 and an estimate of \$3,000 for legal

expenses for the remaining portion of the proceeding.<sup>1</sup> On or before July 31, 2013, Northern shall file a reconciliation of the charge including the final amount of rate case expense and a recommendation for treatment of any under- or over-recovered balances at the end of the twelve month period.

The total amount of rate case expense is 52% lower than Northern's initial estimate of rate case costs as presented in its May 4, 2011 filing. These results reflect both Northern's cost containment and the collective efforts of the parties to reach a Settlement Agreement which avoided lengthy hearings and related preparation.

The invoices contain confidential material. An original and six (6) copies of a Motion for Confidentiality and Protective Order are also enclosed. The Company is providing three (3) copies of the full filing with the Confidential portions intact to afford ease of review, and they are enclosed in separately marked binders.

An electronic copy of the non-confidential version of the filing is being provided to the Commission, Commission Staff and the Office of the Consumer Advocate as required by N.H. Code Admin. Pro. Puc 203.03.

Since Northern has other rate changes pending for effect May 1, 2012, tariff pages 94, 95, and 96 have not been included with this filing. Northern will file compliance tariff pages as appropriate including all approved rate changes effective May 1, 2012.

As a result of the proposed rate changes discussed above, a residential heating customer on rate R5 using 104 therms per month will see an increase of \$5.55 per month, or 2.9% from current bills.

Bill impacts for general service customers are summarized in the table below:

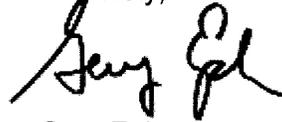
| <b>Rate Class</b> | <b>Monthly Usage</b> | <b>\$ Impact</b> | <b>% Impact</b> |
|-------------------|----------------------|------------------|-----------------|
| G40               | 167 therms           | \$4.56           | 1.6%            |
| G50               | 167 therms           | \$4.56           | 1.8%            |
| G41               | 1,752 therms         | (\$9.81)         | (0.4%)          |
| G51               | 1,752 therms         | (\$9.81)         | (0.4%)          |
| G42               | 25,000 therms        | (\$140.00)       | (0.4%)          |
| G52               | 25,000 therms        | (\$140.00)       | (0.4%)          |

<sup>1</sup> Reflects \$264,595 rate case costs reviewed by PUC Audit, plus \$4,290 (\$3,690 legal + \$390 legal + \$210 MAC Lead/Lag + \$9,600 NHPUC Consultant Woolridge) for additional invoices received after the audit, and \$3,000 estimated legal expenses for March and April 2012.

Please do not hesitate to contact me if you have any questions regarding this filing.

Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler". The signature is written in a cursive style with a large initial "G" and "E".

Gary Epler

Enclosures

cc: Rorie Hollenberg, Office of the Consumer Advocate  
Service List