NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
NOVEMBER 2017 / OCTOBER 2018 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 Charge ("LDAC") tariff (Page No. 59). Northern is proposing changes to its rates for effect November 1, 2017 for the following items: the Residential Low Income Assistance and Regulatory Assessment Costs ("RLIARA") Rate, the Energy Efficiency Charge (EEC), and the Environmental Response Cost ("ERC") Rate, and the Lost Revenue Rate ("LRR"). I will also discuss the impact that the proposed Cost 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 $0.0560 per therm for the residential classes, and $0.0293 per therm for the commercial/industrial classes effective November 1, 2017. The Company has included in this filing, a Sixth Revised Page 59 with effective date of November 1, 2017.

The surcharges currently billed under the LDAC are the EEC, the ERC Rate, the LRR, 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.

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 $0.0096 to $0.0039 per therm effective November 1, 2017.

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, 2017.

The Low-Income Program costs are estimated to be $336,093 and are shown on Schedule 16 RLIARA, Page 1 of 3, Line 21. Lines 1 -21 explain the derivation of these costs.

The estimated 2017 NHPUC Regulatory Assessment, $58,899, is shown on Schedule 16 RLIARA, Page 1 of 3, Line 24 and is based on the NHPUC invoice dated August 9, 2017.

Lastly, the projected over-collection balance of the RLIARA is $103,551 as of October 31, 2016 and is derived as shown on Page 2 of 3. Page 3 of 3 shows the calculation of distribution and non-distribution revenues of the NHPUC annual regulatory assessment. The $310,650 for distribution represents the amount included in the test year in the Company's Base Rate Case in Docket DG 17-070.

The total amount of these three factors is $290,709, as shown on Page 1 of 3, line 25, and is divided by the estimated weather normalized firm therms billed for the twelve months ended October 31, 2018 to derive the proposed RLIARA charge of $0.0039 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 $0.0331 per therm to $0.0433 per therm, and increase the charge for the commercial and industrial customer classes from $0.0142 per therm to $0.0184 per therm effective November 1, 2017.

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 an under collection in the beginning balance of the residential customers and an over-collection in the beginning balance of the C&I customers. These beginning balances are largely due to actual costs being higher than forecasted for residential class customers and lower than forecasted for the C&I class 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. Please note the EEC reconciliations in this Docket have been updated with actuals through June 2017 to correspond with the EEC Reconciliation (Attachment J3) filed in the 2018-2020 New Hampshire Statewide Energy Efficiency Plan in Docket DE 17-136 filed on September 1, 2017.

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 was 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 which began on January 1, 2017.

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 November 2017 through October 2018. 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. Please note the LRR reconciliations in this Docket have been updated with actuals through June 2017 to correspond with the LRR Reconciliation (Attachment J4) filed in the 2018-2020 New Hampshire Statewide Energy Efficiency Plan in Docket DE 17-136 filed on September 1, 2017.

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 $54,154 from July 2016 through June 2017. A summary sheet and detailed backup spreadsheets are provided in the ERC Filing that supports the 2016-2017 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, 2017.

A. The current ERC Rate is $0.0056 per therm. Northern proposes to increase this to a charge of $0.0060 per therm.

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

A. As stated above, during the period July 1, 2016 through June 30, 2017, ERC expenses totaled $54,154. 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 $7,736 (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 $406,108 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 2016 - June 2017	$7,736
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
Total	$406,108*

*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 under collection of $34,802, 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 2017 through October 2018 of $440,910. Dividing these recoverable ERC credits by projected total annual sales of 73,959,113 therms yields an ERC Rate of $0.0060 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, 2017 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 609 therms during the 2017/2018 Winter Season will expect a bill of $954.13. This is a decrease of $6.21, or 0.65% compared to the 2016/2017 Winter Season bill with the same consumption.

Q. Have you prepared typical bill analyses showing the impacts of the proposed COG and LDAC for effect on May 1, 2018 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 129 therms during the 2018 Summer Season will expect a bill of $258.24. This is an increase of $1.67, or 0.65% compared to the 2017 Summer Season bill with the same consumption.

Q. Do the typical bill analyses you prepared include the impact of the temporary distribution rates effective August 1, 2017?

A. Yes.

Q. Does this conclude your testimony?

A. Yes, it does.