



February 26, 2015

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



Re: Northern Utilities, Inc. – Docket No. DG 13-086 Step 2 Distribution
Rate Adjustment Effective May 1, 2015

Dear Director Howland:

In accordance with the Settlement Agreement ("the Settlement") approved on April 21, 2014 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 submits its Step 2 distribution rate adjustment for effect May 1, 2015. 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 Eligible Facilities¹ during calendar year 2014.

The revenue requirement associated with Eligible Facilities is \$1,823,611. This requirement is calculated in Attachment 2, at Page 1, and is based on the method illustrated in Exhibit 4 of the Settlement. As shown, Northern invested \$13.7 million in Eligible Facilities during 2014. (The 2014 Eligible Facilities project detail is summarized in Attachment 2, at Page 2.) However, the Company is limited by the Settlement from recovering revenue associated with more than \$12 million of investments through the Step 2 adjustment. The revenue requirement reflects a return on equity component cost of 9.25 percent, which is based upon the Company's annual growth in meter count of 3.1 percent. Attachment 2, at Page 3, provides the annual growth in meter count and the pre-tax return derivations. Lastly, Northern used its actual 2014 property tax rates and 2014 book depreciation rates to derive the Step 2 annual revenue requirement. The overall depreciation rate is based on the actual type of Eligible Facility investment made during calendar year 2014.

¹ Eligible Facilities are associated with the Company's investments in its Gas Mains Extensions, New Hampshire Main Replacement Program, and Gas Highway Projects City State which are additions to and closed to utility plant during the calendar year. 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; and 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 projects (e.g., sewer separation).

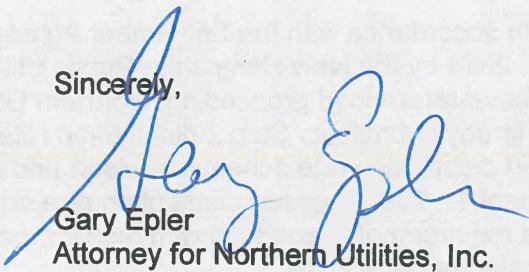
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The increase in distribution rates is calculated based on the method illustrated in Exhibit 5 of the Settlement. Attachment 3 includes the derivation and the proposed distribution rates.

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 2.4% and 6.7%, on a total bill basis, depending on the customer's usage level. For the typical Residential Heating customer, the winter season bill impact is 2.8%, or \$30.71, while the annual bill impact is 3.1%, or \$43.57. Customer bill impacts are derived on the last page of Attachment 4.

Sincerely,



Gary Epler
Attorney for Northern Utilities, Inc.

Attachments

cc: Service List