

**NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION
2013 / 2014 WINTER PERIOD
COST OF GAS ADJUSTMENT FILING
PREFILED TESTIMONY OF
JOSEPH F. CONNEELY**

1 **I. INTRODUCTION**

2

3 **Q. Please state your name, business address, and position.**

4 A. My name is Joseph F. Conneely. My business address is 6 Liberty Lane West,
5 Hampton, New Hampshire.

6

7 **Q. For whom do you work and in what capacity?**

8 A. I am a Senior Regulatory Analyst for Unitil Service Corp. (“Unitil Service”), a
9 subsidiary of Unitil Corporation that provides managerial, financial, regulatory
10 and engineering services to Unitil Corporation’s principal subsidiaries Fitchburg
11 Gas and Electric Light Company, d/b/a Unitil (“FG&E”), Granite State Gas
12 Transmission, Inc. (“Granite”), Northern Utilities, Inc. d/b/a Unitil (“Northern”),
13 and Unitil Energy Systems, Inc. (“UES”) (together “Unitil”). In this capacity I
14 am responsible for managing and filing reporting requirements.

15

16 **Q. Please summarize your professional and educational background.**

17 A. I graduated from Saint Anselm College, Manchester, New Hampshire in 1999
18 with a Bachelor of Arts degree in Financial Economics. Before joining Unitil, I
19 worked for the Royal Bank of Scotland- Sempra Energy Trading Corp. joint
20 venture (“RBS”) in Greenwich, Connecticut as a senior electricity and natural gas

1 trader. Prior to working for RBS, I was employed as a mid-term electricity and
2 natural gas trader at Morgan Stanley in New York City. Before this position at
3 Morgan Stanley, I ran an energy trading book at Shell Gas and Energy Trading
4 North America in La Jolla, California. I joined Unitil in November 2008.

5

6 **Q. Have you previously testified before the New Hampshire Public Utilities**
7 **Commission?**

8 A. Yes. I have testified in a similar role several times in the Company's Cost of Gas
9 Adjustment proceedings.

10

11 **II. PURPOSE OF TESTIMONY**

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is to introduce and describe Northern's proposed
14 changes to its Local Delivery Adjustment Clause ("LDAC") tariff (Page No. 56).
15 Northern is proposing changes to its rates for effect November 1, 2013 for the
16 following items: Residential Low Income Assistance and Regulatory Assessment
17 Costs ("RLIARA") Rate, and the Demand Side Management ("DSM") Rate. I
18 will also discuss the Environmental Response Cost ("ERC") Rate and the
19 Company's proposed inclusion of the Reconciliation of Permanent Charges in
20 Delivery Rates (RPC) and the Expenses Related to Rate Case (RCE) within to the
21 ERC. I will also discuss the impact that the proposed Cost of Gas ("COG") will
22 have on bills of the Company's typical residential heating gas customer.

1 **Q. What are the surcharges that will be billed under the LDAC?**

2 A. The Company is submitting for approval an LDAC of \$0.0446 for the residential
3 class, and \$0.0238 for the commercial/industrial class. The surcharges currently
4 billed under the LDAC are the DSM Rate, the ERC Rate, and the RLIARA Rate.
5 Other LDAC surcharge components are the Interruptible Transportation Margin
6 (ITM) Rate, the RPC, and RCE. These are currently not being charged to
7 customers.

8
9 **Q. Please describe the purpose of the RLIARA Rate.**

10 A. The purpose of this rate is to allow the Company to recover the revenue discounts
11 associated with customers participating in the Residential Low Income Assistance
12 Program, as well as the programs associated administrative costs of that program,
13 pursuant to DG 05-076. This rate also recovers the non-distribution portion of the
14 annual NHPUC Regulatory Assessment to the Company pursuant to DG 11-069.
15 The RLIARA Rate is charged on all firm gas sales and firm delivery service
16 throughput billed under the Company's sales and delivery service rate schedules.

17
18 **Q. Please describe the proposed change to the RLIARA rate.**

19 A. Northern is proposing to decrease the RLIARA Rate from \$0.0104 to \$0.0064 per
20 therm effective November 1, 2013.

21
22 **Q. Could you describe the derivation of the proposed RLIARA Rate?**

1 **A.** The RLIARA Rate is derived by estimating the program costs. The costs are
2 estimated to be \$378,893 and are shown on Schedule 16 RLIARA, Page 1 of 3,
3 Line 21. This is added to the projected over-collection balance of \$76,330 as of
4 October 31, 2013, as shown on Schedule 16 RLIARA, Page 1 of 3, Line 22. The
5 over-collection is based on actual data through July 2013 for the 12-month period
6 ending October 2013.

7 Also, in Docket DG 11-069, the Commission authorized the Company to begin
8 recovery of the actual non-distribution portion of the annual NHPUC Regulatory
9 Assessment in its RLIARA effective May 1, 2012. The estimated 2014
10 Assessment is shown on Schedule 16 RLIARA, Page 2 of 3, Line 24 and is based
11 on the NHPUC invoice dated August 8, 2013.

12 This 2013 NHPUC Regulatory Assessment cost component has been included in
13 the annual reconciliation on Schedule 16 RLIARA, Page 2 of 3. Page 3 of 3
14 provides the reconciliation of the 2013 Calculation of Non-Distribution Revenue
15 Portion of the NHPUC Assessment.

16 The total amount of these three factors is \$419,898. This is divided by the
17 estimated weather normalized firm therms billed for the twelve months ended
18 10/31/14 to derive the proposed RLIARA charge of \$0.0064.

19

20 **Q.** **What is the purpose of the DSM charge?**

21 **A.** The purpose of the DSM charge is to establish a procedure that allows the
22 Company, to adjust on an annual basis, the Conservation Charge applicable to

1 firm gas sales and firm delivery service throughput in order to recover from firm
2 ratepayers Energy Efficiency Program costs, pursuant to Order No. 24,109 in
3 Docket DG 02-106.

4
5 **Q. What are the changes being proposed to the DSM charges?**

6 A. The Company is proposing to decrease the DSM charge for the residential classes
7 from \$0.0403 to \$0.0350 per therm, and an increase the charge for the commercial
8 and industrial customer classes from \$0.0118 to \$0.0142 per therm effective
9 November 1, 2013.

10
11 **Q. Please describe the reason for these proposed changes to and the derivation**
12 **of the DSM Rates.**

13 A. The proposed changes to the DSM Rates are necessitated by the implementation
14 of Northern's calendar year 2014 energy efficiency program budget. That
15 budget is provided in Schedule 16 DSM, Page 1 of 4.

16 The DSM Charge Factor Calculation is provided in Schedule 16 DSM, Page 2 of
17 4. As shown the rate is derived by customer class and includes an annual
18 reconciliation of the program costs and share-holder incentive with an adjustment
19 for the low-income discount costs. Information regarding the development of the
20 proposed DSM rate for the residential classes is provided in Schedule 16 DSM,
21 Page 3 of 4. Schedule 16 DSM, Page 4 of 4 provides the support for the
22 proposed DSM rate for the commercial and industrial classes.

1 I note that on September 13, 2013, the Company proposed a revised budget for
2 the 2014 program year via CORE Docket No. DE 12-262. To the extent possible,
3 any changes in the DSM budget in that docket will be reflected in the Company
4 update filing.

5

6 **Q. Is the Company proposing to include the charges of the RCE and RPC?**

7 A. No, however, in Order 25,352 dated April 24, 2012 in Docket No. DG 11-069, the
8 Company was instructed to reconcile the RCE and RPC adjustments to the LDAC
9 through June 30, 2013 with actual revenues collected. The Commission further
10 directed the Company to recommend treatment of any outstanding balances.
11 On July 25, 2013, the Company submitted to the NHPUC a Compliance Filing in
12 Docket No. DG 11-069 to satisfy this directive. The RCE reconciliation included
13 the period May 1, 2012 through June 30, 2013 (with interest on outstanding
14 monthly balances). The result was an under-collection of \$4,281.88.
15 The RPC reconciliation also included the period May 1, 2012 through June 30,
16 2013. The result was an under-collection of \$20,668.86.
17 The total net of these reconciliations is an under-collection of \$24, 950.74. The
18 Company proposes these under-collections and any associated prior period
19 adjustments be aggregated and included in the ERC balance for inclusion in this
20 ERC Rate Filing.

21

22 **Q. Please explain the purpose of Northern's ERC Rate.**

1 **A.** The purpose of the ERC Rate is to recover expenditures associated with former
2 manufactured gas plants. The ERC Rate is applied to all firm gas sales and firm
3 delivery service throughput billed under the Company's sales and delivery service
4 rate schedules. The costs submitted for recovery through the ERC cost recovery
5 mechanism are presented in the ERC Filing submitted in this Docket under
6 separate cover. The environmental investigation and remediation costs that
7 underlie these expenses are the result of efforts by the Company to respond to its
8 legal obligations with regard to the sites located in Exeter and Rochester New
9 Hampshire. In total, the Company has incurred environmental remediation costs
10 of \$175,406 from July 2012 through June 2013. A summary sheet and detailed
11 backup spreadsheets are provided in the ERC Filing that supports the 2012-2013
12 costs that the Company is submitting. The Company is prepared to provide
13 additional testimony and exhibits, if necessary, to further support recovery of
14 these amounts after the Commission Staff has completed its review of these costs.

15
16 **Q.** **Please describe the change to Northern's ERC Rate that is proposed for**
17 **effect November 1, 2013.**

18 **A.** The current ERC Rate is \$0.0044 per therm. Northern proposes to decrease this
19 charge to \$0.0032 per therm. This ERC beginning balance includes the RCE and
20 RPC under-collection proposed in the Compliance Filing in Docket No. 11-069
21 and described above.

22

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

2 A. As stated above, during the period July 1, 2012 through June 30, 2013, ERC
3 expenses totaled \$175,406. Northern is allowed to recover one-seventh of the
4 actual response costs incurred by the Company in a twelve-month period ending
5 June 30 of each year until fully amortized, plus any insurance and third-party
6 expenses for the year or \$25,058 (see table below). Thus, the ERC rate typically
7 includes the current year and six prior years of unamortized amounts. Any
8 insurance and third-party recoveries or other benefits for the year are used to
9 reduce the unamortized balance. The \$170,394 figure shown on Schedule 1 in the
10 Environmental Response Cost filing and Schedule 16-ERC in this filing is
11 comprised of the following:

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
1/7th ERC costs incurred July 2009 - June 2010	\$ 27,091
1/7th ERC costs incurred July 2008 - June 2009	\$ 18,247
1/7th ERC costs incurred July 2007 - June 2008	\$ 33,280
1/7th ERC costs incurred July 2006 - June 2007	<u>\$ 26,686</u>
Total	\$170,394*

12 *As shown on Schedule 16-ERC Page 1 of 2.

13 The prior period reconciliation of ERC costs is an under collection of \$16,060.

14 The under collection of the RCE/RPC reconciliation is \$24,951. Both of these
15 under collections are included in the annual ERC costs resulting in net ERC costs
16 to be recovered from customers during the period of November 2013 through
17 October 2014 of \$211,405. Dividing these recoverable ERC costs by total annual

1 sales of 65,105,908 therms yields an ERC Rate of \$0.0032 per therm. This
2 calculation is illustrated in Schedule 16 ERC, Page 1 of 2.

3 The primary reason for the decrease in the ERC rate is a decrease in costs.

4

5 **Q. Does the proposed LDAC include a credit for Interruptible Transportation**
6 **Margins?**

7 A. No, the Company has not provided any service under the classification over the
8 past year and therefore has not earned any margins to credit back to sales
9 customers.

10

11 **Q. Have you prepared typical bill analyses showing the impacts of the proposed**
12 **COG and LDAC rate changes for effect on November 1, 2013 for typical**
13 **residential heating gas customers?**

14 A. Yes, Schedule 8 provides the analyses. I note that in Order 25,503 in Docket No.
15 13-083, the Company was directed to use the prior period's actual average usage
16 weather normalized in subsequent COG typical bill analysis.

17 Schedule 8 shows that a typical residential heating customer consuming 743
18 therms during the 2013/ 2014 Winter Season will see a bill of \$906.56. This is an
19 increase of \$80.45 or 9.74 %, in comparison to the 2012/2013 Winter Season bill
20 with the same consumption. This analysis includes temporary rates across all
21 customer classes in the amount of \$0.0421 as approved by the Stipulation and
22 Settlement dated June 13, 2013 in Docket No. DG 13-086. The COG and LDAC

1 Rate changes alone in this filing result in an increase of \$54.83 or 6.64% increase
2 to the Winter typical residential heating customer.

3

4 **Q. Does this conclude your testimony?**

5 **A. Yes, it does.**