

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

DG 11-069

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 New Hampshire Public Utilities Commission (“the Commission”) for authority to: (1) implement new permanent rates beginning June 3, 2011 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 step adjustment in 2012 for capital investments in rate base made in calendar year 2011; (4) implement an annual Targeted Infrastructure Recovery Adjustment (“TIRA”) mechanism in 2013 for rate base additions made on and after January 1, 2012 pursuant to the Company’s Bare Steel Replacement Program; and (5) if the Commission suspends the requested effective date of Northern’s permanent rates, implement temporary rates beginning August 1, 2011 for natural gas delivery service at rate levels set forth in Supplement No. 1 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 31, 2011, 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 June 3, 2011 and is intended to produce a permanent increase in annual revenues of approximately \$ 3.8 million, which represents an increase of approximately 5.9 percent in the Company's annual operating revenues above those produced by current rates. The estimated impact on total natural gas bills for the Company's customers including gas supply costs is an increase of 4.7 percent. This permanent rate increase results in an overall rate of return of 7.65 percent which is line with the Company's last allowed rate of return of 7.85 percent established in 2002. See *Northern Utilities, Inc.*, DG 01-182, Order No. 24,075, 87 NH PUC 723, 726 (Oct. 28, 2002).

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

B. STEP ADJUSTMENT

4. Northern requests permission to implement a step adjustment in order to provide the Company a reasonable opportunity to earn its authorized rate of return after the permanent rates in this proceeding are approved. The step adjustment is estimated to produce an annual increase of \$1.43 million in distribution

revenue that relates to calendar year 2011 capital expenditures and is proposed for implementation at the conclusion of this proceeding. The Commission has previously authorized similar step adjustments. See *Re Unitil Energy Systems, Inc.*, DE 05-178, Order No. 24,677, 91 NH PUC 416 (Oct. 6, 2006). In support of this step adjustment, Northern has filed the direct testimony of George R. Gantz and David L. Chong.

C. TARGETED INFRASTRUCTURE REPLACEMENT ADJUSTMENT

5. Northern requests authority to implement a “Targeted Infrastructure Replacement Adjustment” (“TIRA”) mechanism relating to expenditures commencing January 1, 2012 and thereafter pursuant to the Company’s Bare Steel Replacement Program (“BSRP”). The first TIRA is proposed to be implemented on May 1, 2013 and annually on May 1st of each subsequent year. The TIRA is intended to recover BSRP expenditures made in the prior calendar year and is expected to produce an annual increase in distribution revenue in May of 2013 of \$0.7 million. The Commission has previously authorized similar annual step adjustments for BSRP expenditures. See *Northern Utilities, Inc.*, DR 91-081, Order No. 20,546, 77 NH PUC 366, 374 (July 21, 1992). The TIRA is necessary in order to maintain Northern’s ability to provide safe and reliable service to its customers. In support of the TIRA, Northern has filed the direct testimony of George R. Gantz and David L. Chong.

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 at the levels set forth in Supplement No. 1 to tariff NHPUC No. 10-Gas, commencing with service rendered on August 1, 2011 and until the date a final, non-appealable order establishing permanent rates is issued. This represents an increase of approximately \$1.8 million in annual revenues, or approximately 2.8 percent above the Company's current operating revenues. As shown in Attachment 1, Northern proposes to recover this increase on a uniform per therm basis from all rate classes. In support of this request, Northern notes that during the twelve months ended December 31, 2010 (i.e. the test year underlying the permanent rates tariff), Northern earned a return on equity of approximately 5.67 percent. This amount is substantially lower than the Company's authorized return on equity of 9.67 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 June 3, 2011;

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. 1 to Northern's tariff NHPUC No. 10-Gas for service rendered on and after August 1, 2011, 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 Step Adjustment as proposed herein;

F. Enter an order authorizing Northern to implement the TIRA as proposed herein; and

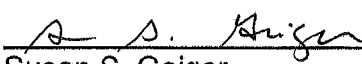
G. Grant such further relief as may be just and appropriate.

Respectfully submitted

NORTHERN UTILITIES, INC.

By its Attorneys:



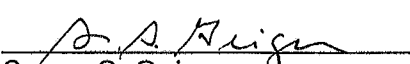
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Dated: May 4, 2011

Certificate of Service

I hereby certify that on this 4th day of May, 2011, a copy of the foregoing Petition was hand delivered to the Office of Consumer Advocate.



Susan S. Geiger

NORTHERN UTILITIES, INC.

Calculation of Temporary Rate Adjustment

Temporary Rates

Revenue Requirement	\$	1,756,248	Chong: Schedule DLC-4
Test Year WN Sales (ccf)		58,401,193	Normand: Schedule PMN 1G-8
Temporary Rate Factors	\$	0.0301	