



NH-PUC 28FEB17*11:05

February 28, 2017

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 13-086 Northern Utilities, Inc. Compliance Filing
Earnings Sharing and Exogenous Events

Dear Director Howland:

In Docket No. DG 13-086, the New Hampshire Public Utilities Commission (“the Commission”) approved a Settlement Agreement (“the Settlement”) for Northern Utilities, Inc. (“Northern” or “the Company”). The Settlement, at Section 2.6, requires the Company to submit a 12-month uniform per therm Earnings Sharing (“ES”) usage credit for effect May 1, 2017, if applicable.

Northern proposes no ES usage credit for effect May 1, 2017 as 2016 earnings did not reach the Settlement’s minimum threshold under which ES is required. The Settlement allows the Company to retain all 2016 earnings up to and including a Return on Equity (“ROE”) of 10 percent. Northern’s ROE was 8.47 percent as calculated in accordance with the Company’s F-1 Rate of Return Report (“the Report”) for the twelve months ended December 31, 2016 as previously filed with the Commission on February 15, 2017. The Report is enclosed for the convenience of the Commission and parties.

In addition, the Settlement, at Section 2.5, requires the Company to submit a Certification of Exogenous Events for 2016. With this letter, Northern certifies there were no Exogenous Events in 2016, where such an event is defined as State or Federally Initiated Cost Changes, Externally Imposed Accounting Rule Changes or a Force Majeure in which the distribution revenue impact from any such event exceeds \$200,000 (Exogenous Events Rate Adjustment Threshold) in

Gary Epler
Chief Regulatory Counsel
epler@unitil.com

6 Liberty Lane West
Hampton, NH 03842

the 2016 calendar year. Accordingly, the Company proposes no rate adjustment due to Exogenous Events for 2016.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler". The signature is fluid and cursive, with the first name "Gary" and the last name "Epler" clearly distinguishable.

Gary Epler
Attorney for Northern Utilities, Inc.

Enclosure

cc: Alexander Speidel, Staff Counsel (1 copy)
Service List (e-mail only)



February 15, 2017

BY OVERNIGHT AND ELECTRONIC MAIL

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

RE: PUC 509.01 – F-1 Rate of Return
for the Twelve Months Ended December 31, 2016

Dear Director Howland:

Northern Utilities, Inc. (“Northern”) hereby submits its F-1 Rate of Return report for its New Hampshire Division, showing the historical weather-normalized rate of return on rate base for the twelve months ended December 31, 2016, in accordance with PUC 509.01.

Northern’s F-1 Rate of Return report reflects the following:

Cost of Service

- Amortization expense excludes amortization of transaction and transition costs pursuant to the acquisition Settlement Agreement in Docket No. DG 08-048 and Docket No. DG 08-079.
- Federal and state income taxes are calculated at 39.41 percent, reflecting statutory rates applicable to Northern.

Rate Base

- Rate base is calculated for the year ending December 31, 2016.
- Cash working capital is calculated using a 4.58-day net lag based on the most recent lead lag study filed with the Commission.
- Accumulated Deferred Income Taxes (ADIT) reflects pro forma accounting as outlined in the Settlement Agreement in Docket No. DG 08-048 and Docket No. DG 08-079 to provide an estimate of Northern’s ADIT assuming the acquisition had not occurred.

Corporate Office

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Ms. Debra A. Howland, Executive Director
Northern Utilities F-1 Rate of Return Report
Twelve Months Ended December 31, 2016

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Cost of Capital

- Cost of Capital reflects Northern's current cost of capital and capital structure.

If you have any questions, please contact me at 603-379-3836.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Nawazelski". The signature is fluid and cursive, with the first name "Dan" being more prominent and the last name "Nawazelski" written in a continuous, flowing script.

Daniel Nawazelski
Sr. Financial Analyst
Unitil Service Corp.

cc: Alexander Speidel, Staff Counsel
Donald Kreis, Consumer Advocate

Northern Utilities, Inc.
New Hampshire Division
Puc 509.01 – F-1 Rate of Return
12 Months Ending December 31, 2016

Schedule 1: Calculation of Per Books Rate of Return

<u>Cost of Service</u>	<u>Period End</u>	<u>Rate Base</u>	<u>Period End</u>
Gas Service Revenue	\$ 64,224,003	NH Plant	\$ 209,866,086
Other Operating Revenue	874,936	Supplemental Plant Adjustment	610,674
Weather Adjustment	995,648	Total Plant	210,476,760
Total Revenue - Adjusted	66,094,586	Less: Reserve for Depreciation & Amortization	65,869,111
		Net Utility Plant	144,607,649
		<i>Plus :</i>	
Gas Costs	29,536,386	Materials and Supplies	2,421,808
Other Production	394,724	Cash Working Capital Requirement	288,428
Distribution	2,994,785		
Customer Accounting	3,203,461	<i>Less :</i>	
Sales & New Business	-	Customer Deposits	430,588
General & Administrative	6,361,609	Accumulated Deferred Income Taxes	16,677,733
Federal & State Income Tax - Adjusted	3,706,793	Reimbursable Contributions	-
Property Tax	3,500,423		
Other Tax	263,507	Total Rate Base	\$ 130,209,564
Depreciation	6,118,814		
Amortization	426,964	Utility Operating Income - Curr Cost of Capital	\$ 10,270,106
Interest on Customer Deposits	13,346	Utility Operating Income - Adjusted	9,573,774
Total Operating Expenses	56,520,812	Operating Income Deficiency (Surplus)	\$ 696,332
		Income Tax Gross-Up	452,958
Operating Income - Adjusted	\$ 9,573,774	Revenue Deficiency (Surplus)	\$ 1,149,290
		Return on Rate Base - Actual	7.35%
		Current Cost of Capital	7.89%
		ROE - Actual	8.47%
		ROE - Authorized	9.50%

Schedule 2: Current Cost of Capital

	<u>Amount</u>	<u>Percent</u>	<u>Cost Rate</u>	<u>Weighted</u>
	<u>Outstanding</u>	<u>Total</u>		<u>Cost Rate</u>
Common Equity	\$ 155,183,729	51.7%	9.50%	4.91%
Long Term Debt	145,000,000	48.3%	6.16%	2.98%
Short Term Debt (a)	-	0.00%		0.00%
Total Allowed	\$ 300,183,729	100.0%		7.89%

(a) Excluding Accrued Revenue, Purchased Gas Working Capital, Hedging Margin and CWIP