

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
CHRISTOPHER J. GOULDING**

EXHIBIT CJG-1

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 21-xxx

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Christopher J. Goulding, and my business address is 6 Liberty Lane
4 West, Hampton, New Hampshire 03842.

5 **Q. Mr. Goulding, what is your position and what are your responsibilities?**

6 A. I am the Director of Rates and Revenue Requirements for Unitil Service Corp.
7 (“Unitil Service”), a subsidiary of Unitil Corporation that provides managerial,
8 financial, regulatory and engineering services to Unitil Corporation’s utility
9 subsidiaries including Unitil Energy Systems, Inc., (“UES” or the “Company”).
10 My responsibilities include all rate and regulatory filings related to the financial
11 requirements of UES and Unitil’s other subsidiaries.

12 **Q. Please describe your business and educational background.**

13 A. In 2000 I was hired by NSTAR Electric & Gas Company (“NSTAR,” now
14 Eversource Energy) and held various positions with increasing responsibilities in
15 Accounting, Corporate Finance and Regulatory. I was hired by Unitil Service
16 Corp. in early 2019 to perform my current job responsibilities. I earned a
17 Bachelor of Science degree in Business Administration from Northeastern
18 University in 2000 and a Master’s in Business Administration from Boston
19 College in 2009.

20 **Q. Have you previously testified before the Commission or other regulatory
21 agencies?**

22 A. Yes.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to provide the Company's request for approval of
3 recovery of the increase in property taxes associated with HB 700.

4 **II. COST RECOVERY PROPOSAL**

5 **Q. What did HB 700 allow for?**

6 A. HB 700 established a methodology for valuing utility distribution assets for
7 property tax purposes, codified as RSA 72:8-d and -e. Part of that law established
8 a new methodology for assessing utility property, and a five-year phase-in period
9 to fully transition to that new methodology. The first property tax year of the
10 phase-in period is the tax year beginning April 1, 2020. The law also requires the
11 Commission to establish by order a rate recovery mechanism for the property
12 taxes paid by a public utility.

13 **Q. Did HB 700 allow for increases in all property taxes to be recovered?**

14 A. No, HB 700 allowed for the recovery of increases in property taxes associated
15 with "Utility company Assets" defined as:

16 "Utility company assets" means the following property not exempt under
17 RSA 72:23:

18 (1) For an electric company providing electricity service to retail
19 customers: the distribution poles, wires, conductors, attachments, meters,
20 transformers, and substations accounted for by the utility in accordance
21 with FERC Form 1, buildings, contributions in aid of construction
22 (CIAC), construction works in progress (CWIP), and land rights, including

1 use of the public rights of way, easements on private land owned by third
2 parties, and land owned in fee by the electric company, so long as such
3 easements and fee land are associated solely with distribution power lines
4 classified as distribution according to FERC standards.

5 **Q. Is the Company's property tax recovery proposal limited to the recovery for**
6 **increases associated with local – utility plant assets only?**

7 A. No. For administrative efficiencies and simplified reconciliation, the Company is
8 proposing that the annual recovery includes the reconciliation of all local property
9 taxes (local building and utility plant assets).

10 **Q. How does the Company propose to address the change in state related**
11 **property taxes?**

12 A. The Company is proposing to exclude the changes in the state related property
13 taxes from the recovery proposal consistent with the language of HB 700.
14 Recovery of the state portion of the property taxes would continue to occur as it
15 does now as part of the normal rate case process.

16 **Q. How has the Company calculated the increase in property taxes related to**
17 **local property taxes?**

18 A. The Company compared the amount of property tax recovery currently in rates to
19 the actual 2020 property tax expense.

20 **Q. How did the Company calculate the amount of property tax recovery**
21 **currently in rates and the amount related to local property taxes?**

1 A. The Company calculated that the amount of property tax recovery currently in
2 rates is \$7,002,664 by adding the allowed property tax recovery amounts allowed
3 as part of the last rate case in Docket No. DE 16-384 and the property tax
4 recovery amounts allowed in the subsequent step increases in Docket No. 16-384,
5 18-036 and 19-043. The amount was then further assigned to the following three
6 categories: 1) state property tax recovery; 2) local – building property tax
7 recovery; and 3) local - utility plant property tax recovery, based on the
8 proportion of recovery from the last rate case. This resulted in \$1,432,967 of state
9 property tax recovery, \$104,375 of local – building property tax recovery and
10 \$5,465,322 of local – utility plant property tax recovery. The calculation can be
11 seen on lines 1 through 6 on page 1 of Schedule CJG-1.

12 **Q. What was the property tax expense for 2020?**

13 A. As shown on line 7 of Schedule CJG-1, the total property tax expense for the
14 Company in 2020 was \$7,238,469 of which \$1,495,354 was for state property
15 taxes, \$78,660 was for local – building property taxes, and \$5,664,455 was for
16 local – utility plant property taxes.

17 **Q. How much higher was the 2020 property tax expense than the amount**
18 **currently included in rates?**

19 A. As shown on line 8 of Schedule CJG-1, the 2020 property tax expense was
20 \$235,805 higher than the amount currently included in rates.

21 **Q. How much was the increase in local property taxes above the amount**
22 **currently recovered in rates?**

1 A. The total 2020 local property tax expense was \$173,418 higher than the amount
2 currently recovered in rates as shown on col 5, line 9 of Schedule CJG-1. The
3 2020 local – building property tax expense was \$25,715 lower and the 2020 local
4 – utility plant property tax expense was \$199,133 higher than the amount
5 currently recovered in rates.

6 **Q. What mechanism is the Company proposing to recover the increase in**
7 **property taxes?**

8 A. The Company is proposing to recover the increase in property taxes associated
9 with HB 700 as part of the Company’s External Delivery Charge (“EDC”).

10 **Q. Are there changes that need to be made to the EDC tariff?**

11 A. Yes, the Company is proposing to include the following language in the EDC
12 tariff:

13 “The EDC shall include the reconciliation of the prior year’s local property tax
14 recovery included in distribution rates and the actual property tax expense for the
15 calendar year. The over- or under-recovery associated with the reconciliation shall
16 be charged or credited to the EDC on January 1 of the following calendar year.”

17 If the Company’s proposed methodology is approved by the Commission, the
18 Company will file a compliance tariff at that time.

19 **Q. Please describe the timing of the recovery associated with the increase in the**
20 **2020 local property tax expense.**

1 A. For 2020, the total local property tax reconciliation under-recovery was \$173,418.

2 This under-recovery would be charged to the EDC reconciliation in January 2021

3 and would be included as part of the EDC rate change effective August 1, 2021.

4 **Q. Please provide a summary of the Company's request.**

5 A. The Company is requesting that the Commission approve the recovery of

6 \$173,418 of increased property taxes in 2020 related to the impacts of HB 700

7 through the Company's EDC tariff, and the proposed modification to the EDC

8 necessary to allow for the ongoing recovery of the reconciliation of local property

9 taxes.

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

11 A. Yes, it does.

**New Hampshire Property Tax Expense Analysis
Unitil Energy Systems, Inc.**

Line No.	(1) Description	(2) Total Amount	(3) State	(4) Local		(6) Source
				Buildings	Utility Plant	
1	Property Tax Allocation by Type	100%	20%	1%	78%	Allocator Based on Test Year Split
2	Base Rates (May 1, 2017)	\$ 6,209,678	\$ 1,270,697	\$ 92,556	\$ 4,846,426	DE 16-384, Sch. 3-10 Prop Tx Revised + Add 'l Kingston Adj.
3	Step 1 (May 1, 2017)	104,638	21,412	1,560	81,666	DE 16-384, Step Adj. P1 of 5
4	Step 2 (May 1, 2018)	501,138	102,549	7,469	391,120	DE 18-036, Step Adj. filed on 3/1/2018, P1 of 5
5	Step 3 (May 1, 2019)	187,210	38,309	2,790	146,111	DE 19-043, Step Adj. filed on 2/28/2019, P1 of 5
6	Total UES Property Tax Recovery	\$ 7,002,664	\$ 1,432,967	\$ 104,375	\$ 5,465,322	Sum Lines 2 through 5
7	2020 Property Tax Expense	\$ 7,238,469	\$ 1,495,354	\$ 78,660	\$ 5,664,455	G/L 10-20-10-00-408-09-01
8	2020 UES Exp. Above Level Recovered in Rates	\$ 235,805	\$ 62,387	\$ (25,715)	\$ 199,133	Line 7 - Line 6
9	Local Property Tax Under-Recovery ⁽¹⁾				\$ 173,418	Sum of Col 4 & 5, Line 8
Notes: (1) Proposed recovery through Company's External Delivery Charge						