

BEFORE THE
STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DG 21-104

IN THE MATTER OF: NORTHERN UTILITIES, INC.
REQUEST FOR CHANGE IN RATES

DIRECT TESTIMONY

OF

DONNA H. MULLINAX
CONSULTANT TO NEW HAMPSHIRE DEPARTMENT OF ENERGY

April 1, 2022

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1 **Introduction and Summary**

2 **Q. Please state your full name.**

3 A. My name is Donna H. Mullinax.

4

5 **Q. By whom are you employed and what is your business address?**

6 A. I am employed by Blue Ridge Consulting Services, Inc. (“Blue Ridge”). My business address
7 is 114 Knightsridge Road, Travelers Rest, SC 29690.

8

9 **Q. Please summarize your education and professional work experience.**

10 A. I graduated with honors from Clemson University with a Bachelor of Science in
11 Administrative Management and a Master of Science in Management. I am a Certified Public
12 Accountant (CPA), Certified Internal Auditor (CIA), Certified Financial Planner (CFP)–
13 Retired, and a Chartered Global Management Account (CGMA) designation holder. I am a
14 member of the South Carolina Association of Certified Public Accountants, the American
15 Institute of Certified Public Accountants, and the Institute of Internal Auditors.

16 I have over 42 years of professional experience and have been a utility industry
17 consultant for the last 26 years. My consulting assignments include numerous rate cases filed
18 by public utilities and litigation support for various construction claims. Other project
19 experience includes management, financial, and compliance audits; due diligence reviews;
20 prudence reviews; and economic viability and financial studies. I have worked with public
21 service commissions, attorneys general, and public advocates in Arizona, Colorado,
22 Connecticut, Delaware, District of Columbia, Hawaii, Kentucky, Illinois, Maryland,

1 Massachusetts, Michigan, Missouri, Nebraska, New Hampshire, New York, North Dakota,
2 Ohio, Oregon, Pennsylvania, and Utah.

3

4 **Q. Have you included a more detailed description of your qualifications?**

5 A. Yes. A description of my qualifications is included as Attachment DHM-1.

6

7 **Q. Have you previously testified before the New Hampshire Public Utilities Commission**
8 **(“Commission”)?**

9 A. Yes. I have testified before this Commission in Docket Nos. DE 16-383, DE 16-384, DG 17-
10 048, DE-19-057, DE-19-064, DG-20-105, DE 21-030, and DW 20-184. In addition, Blue
11 Ridge has provided analysis and reported on our findings in Docket Nos. DG 17-070, DW
12 18-047, DW 18-054, and DW 18-056.

13

14 **Q. On whose behalf are you testifying?**

15 A. I am testifying on behalf of the New Hampshire Department of Energy (DOE).

16

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

18 A. The purpose of my testimony is to address the revenue requirements and revenue deficiency
19 proposed by Northern Utilities, Inc. (“Northern” or “Company”) and to present the impact of
20 DOE’s recommended ratemaking adjustments on the Company’s revenue deficiency.

21

22

1 **Q. What revenue increase does DOE recommend?**

2 A. DOE recommends a base rate increase of no more than \$5,151,887. The following table
 3 shows the Company’s revenue requirement request and DOE’s recommendation.

4 **Table 1: DOE’s Recommended Revenue Requirement**

Company's Application Revenue Deficiency	\$ 7,782,950
Company's Updated Revenue Deficiency	\$ 7,965,202
Recommended Adjustment	(2,813,315)
Recommended Revenue Deficiency (Sufficiency)	\$ 5,151,887

5

6 The following table summarize DOE’s recommended adjustments to revenue requirements.

7 **Table 2: Summary of DOE’s Recommended Adjustments and the Effect on Rate Base, Net Operating**
 8 **Income, and Revenue Deficiency (Sufficiency)**

		Recommended Rate of Return	6.92%	
		Recommended Return on Equity	8.90%	
		Revenue Conversion Factor	1.37142	
		Rate Base	Operating Income	
		Revenue Deficiency (Sufficiency)		
	Company's Request	\$ 188,738,118	\$ 8,814,586	\$ 7,965,202
Adjustment 1	Adjust Cash Working Capital Lead/Lag Days and Reflection of Expense Adjustments	(617,110)		(58,523)
Adjustment 2	Eliminate Inflation Allowance for Residual O&M Expenses		120,812	(165,684)
Adjustment 3	Eliminate 2022 Wage and Salary Increase		203,031	(278,441)
Adjustment 4	Eliminate Increase to 401(k) Associated with 2022 Wage and Salary Increase		11,538	(15,824)
Adjustment 5	Eliminate Restricted Stock Plan Awards	(136,684)	216,633	(310,058)
Adjustment 6	Eliminate EPS Component of Incentive Compensation	(109,390)	144,324	(208,303)
Adjustment 7	Eliminate SERP	(147,440)	233,680	(334,456)
Adjustment 8	Eliminate Company Contribution to Non-Qualified Deferred Comp	(24,253)	38,440	(55,017)
Adjustment 9	Sharing of Directors and Officers Liability Insurance	(17,629)	19,508	(28,426)
Adjustment 10	Convert to Whole Life Depreciation Methodology		559,261	(766,983)
Adjustment 11	Amortization of Theoretical Depreciation Reserve Imbalance		(1,350,319)	1,851,857
Adjustment 12	Remove Post-Test-Year Project Amortization		115,018	(157,739)
Adjustment 13	True-Up Payroll Taxes for Other Adjustments		25,511	(34,986)
Adjustment 14	Update Distribution Bad Debt for Revenue Change		14,660	(20,105)
Adjustment 15	Interest Synchronization		55,175	(75,668)
	Impact of Recommended Weighted Average Cost of Capital			(2,154,958)
	Recommended Adjustments	\$ (1,052,507)	\$ 407,273	\$ (2,813,315)
	Recommended Totals	\$ 187,685,611	\$ 9,221,859	\$ 5,151,887

9
10
11

1 **Q. Are you presenting any exhibits in connection with your direct testimony in this**
2 **proceeding?**

3 A. Yes. Besides my qualifications already mentioned as Attachment DHM-1, Attachment
4 DHM-2 includes DOE's revenue requirement schedules, and Attachments DHM-3 through
5 DHM-24 are copies of selected documents I refer to in my testimony or are used to formulate
6 my recommendations.

7

8 **Q. How are DOE's revenue requirement schedules organized?**

9 A. DOE's revenue requirement schedules, included in Attachment DHM-2, are organized into
10 summary schedules and adjustment schedules. The schedules consist of Schedules 1, 1.1, 1.2,
11 2, 2.1, 3, 3.1 through 3.15, 4 and 5.

12

13 **Q. What is shown on Schedule 1?**

14 A. Schedule 1 is a summary comparison of the Company's and DOE's computations of the
15 revenue requirement and the revenue deficiency. The schedule summarizes the impact of all
16 DOE's recommendation adjustments and reflects the revenue requirement needed for the
17 Company to have the opportunity to earn DOE's recommended rate of return on DOE's
18 proposed rate base.

19

20 **Q. What is shown on Schedule 1.1?**

21 A. Schedule 1.1 provides additional detail by major rate base and operating income categories
22 and shows how DOE applied its recommended adjustments to the Company's filings to
23 obtain DOE's recommended revenue requirement and revenue deficiency.

1

2 **Q. What is shown on Schedule 1.2?**

3 A. Schedule 1.2 presents the calculation of the revenue conversion factor. The revenue
4 conversion factor grosses up the Income Deficiency amount to account for the necessary
5 income tax increase to realize the total Revenue Deficiency amount. The conversion reflects
6 that the Company must collect more than one dollar in gross revenue for each dollar of net
7 operating income because of the imposition of taxes on those earnings.

8

9 **Q. What is shown on Schedules 2 and 2.1?**

10 A. Schedule 2 summarizes the capital structure and cost of capital proposed by the Company
11 and the capital structure and cost of capital recommended by DOE witness J. Randall
12 Woolridge. Schedule 2.1 isolates the impact on the revenue deficiency for the difference
13 between the Company's proposed capital structure, cost of capital and DOE's
14 recommendation for those same items.

15

16 **Q. What is shown on Schedule 3 and Schedules 3.1 through 3.15?**

17 A. Schedule 3 summarizes DOE's adjustments to rate base and operating income (i.e., revenues
18 less expenses). Schedules 3.1 through 3.15 provide further support and calculations for
19 DOE's recommended adjustments.

20

21 **Q. What is shown on Schedule 4?**

22 A. Schedule 4 provides DOE's recommended base that should be used for the Property Tax
23 Recovery Mechanism (PTAM).

1 **Q. What is shown on Schedule 5?**

2 A. Schedule 5 provides DOE's recommended Step 1 revenue requirement calculation.

3

4 **Revenue Requirements**

5 *Northern Utilities, Inc. Requested Revenue Increase*

6 **Q. What revenue increase did the Company request?**

7 A. In its application, the Company requested an increase in annual operating revenues of
8 \$7,782,950. To provide coverage for its deficiency during the application review period, the
9 Company also requested a temporary increase in distribution rates of \$3,220,742. The
10 Commission approved a temporary increase of \$2,599,083.¹

11

12 **Q. Has the Company filed an update to its initial revenue request?**

13 A. Yes. On February 22, 2022, the Company filed a revised revenue requirement that included
14 several corrections and updates that resulted in a net increase to the Company's revenue
15 requirement of \$182,252.² The following table provides a list of the revisions reflected by the
16 Company.

17

¹ Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 4 (Bates 000056), page 45 (Bates 000097), Commission Order No. 26,529 (September 30, 2021), page 1.

² DG 21-104, Letter to the Commission (February 22, 2022) Revised Revenue Requirements (Attachment DHM-3).

1

Table 3: Company Revisions to Revenue Requirements—2/22/22 Update

Line	Description	Revenue Deficiency Change	Balance
1	Initially Filed Revenue Deficiency		\$ 7,782,950
2	Update for Actual 2022 Med & Dental Rate Change (0.00%)	\$ (67,108)	\$ 7,715,842
3	Update for Actual 2022 Fiscal Year Regulatory Assessments	68,259	7,784,101
4	Update for Payroll Tax Adjustment for SS Wage Limit	(1,694)	7,782,407
5	Update for 2021 Lease Payments	17,853	7,800,260
6	Audit Issue #4 (Inadvertent Allocator Used)	(70)	7,800,191
7	Update for Actual 2022 Wage Increases	8,495	7,808,685
8	Update for Actual 2022 Wage Increases Impact on 401(k)	480	7,809,166
9	Update for Actual 2021 Prop & Liab. Costs	(9,726)	7,799,440
10	Update for Software Amortization for 2021 Projects & Corrections	(9,759)	7,789,681
11	Update for Actual 2021 Property Tax Bills	180,147	7,969,828
12	Update for Actual 2021 Rent Expense	(4,626)	7,965,202
2	13 Change in Revenue Deficiency from Initially Filed		\$ 182,252

3

4 **Q. Does DOE agree with the Company’s revisions to its revenue requirements?**

5 A. DOE agrees with many of the revisions, including the removal of the 2022 increases to
 6 medical and dental benefits (#2 above) and property and liability insurance (#9 above) that
 7 were reflected in its initial application. However, DOE disagrees to the extent that the
 8 Company’s revision still included 2022 updated costs. DOE recommends removal of the
 9 2022 costs as discussed later in my testimony.

10

11 ***Establishment of Current Distribution Revenue Requirement***

12 **Q. When was the Company’s current distribution revenue requirement established?**

13 A. The Commission established Northern’s current rates in Order No. 26,129 (May 2, 2018),
 14 based on a test year ending December 31, 2016, with rates effective on May 1, 2018. The
 15 current rates were the result of a settlement, stipulating an increase in distribution revenues of

1 \$2.6 million as compared with the Company’s initial deficiency claim of \$4.7 million in
 2 distribution revenue. When offset by the impact of the federal *Tax Cuts and Jobs Act of 2017*,
 3 the result was a net annual revenue increase of \$938,730. The Commission also approved a
 4 step increase effective May 1, 2018, and the option of a second step increase effective May 1,
 5 2019.³

6

7 ***Comparison of Rate Request to Prior Cases***

8 **Q. What distribution rate increases did the Company request in prior cases, and what was**
 9 **approved by the Commission?**

10 A. The following table summarizes the Company’s requests and what was approved by the
 11 Commission in the previous three distribution rate cases.⁴ I also show the Company’s request
 12 in this proceeding for comparison.

13 **Table 4: Comparison of Prior Base Rate Increases to Current Proceeding Request**

	DG 11-069	DG 13-086	DG 17-070	Application DG 21-104
Application	\$ 3,744,523	\$ 5,171,302	\$ 4,728,445	\$ 7,782,950
Approved	2,742,525	4,573,098	2,602,918	
TCJA Effect			(1,664,189)	
Net Increase			938,729	
Step 1	818,819	1,354,863	2,337,446	3,137,810
Step 2		1,823,611	1,373,158	3,143,896
Step 3				3,231,392

14

³ DG 17-070, Order No. 26,129 (May 2, 2018), pages 1, 8.

⁴ NuNH response to Energy 4-1 (Attachment DHM-4).

1 **Test Year**

2 **Q. What test year did the Company use in this case?**

3 A. The Company prepared its revenue requirement in this case based on an historical test year
4 for the 12 months ended December 31, 2020. The Company stated that the calendar year
5 2020 data is readily verifiable using the most recent annual reports submitted by Northern.⁵
6 DOE's calculations use the same historical test year.

7
8 **Q. Did the Company adjust its historical test year revenues and expenses?**

9 A. Yes, the Company stated that it adjusted test year cost of service based upon known and
10 measurable changes to revenues and expenses or upon changes that will become known and
11 measurable during the course of the proceeding.⁶

12
13 **Q. Has the Company included adjustments that are beyond one year past the end of the
14 test year?**

15 A. Yes. The Company stated that it “has limited all pro forma adjustments to those that *will be*
16 known and measurable through August 1, 2022, which is the date permanent rates are
17 expected to go into effect for this proceeding” [emphasis added].⁷ A review of the
18 Company's ratemaking adjustments show numerous adjustments for 2022 that are beyond
19 twelve months past the end of the test year, and the Company bases many of those
20 adjustments on forecasts or estimates that it presumes “will be” known and measurable at a
21 later date.

⁵ Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 5 (Bates 000057).

⁶ Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 6 (Bates 000058).

⁷ Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 6 (Bates 000076).

1

2 **Q. Does DOE agree that it is appropriate to include adjustments that are beyond twelve**
3 **months past the end of the test year?**

4 A. No. While I will discuss specific adjustments later, in general, DOE has limited adjustments
5 to those that *are* known and measurable and within one year past the end of the test year.

6

7 **Q. Please explain DOE’s position on adjustments that are beyond twelve months past the**
8 **end of the test year.**

9 A. DOE supports the Commission’s long-standing practice to compute required revenue by
10 using a traditional historical-test-year methodology with pro rata modifications to operations
11 and maintenance expenses for known and measurable changes in the twelve months
12 following the test year. It has not been the Commission’s practice to make extensive
13 adjustments to operating results beyond twelve months after the end of the test year.

14

15 **Audit Recommendations**

16 **Q. Did DOE audit the Company’s historical test year results?**

17 A. Yes. The Audit Staff of the Division of Enforcement, NH Department of Energy, issued its
18 audit report on January 6, 2022. The Audit report identified six issues.⁸ The following table
19 summarizes the audit issues and how they are reflected in DOE’s recommended revenue
20 requirement.

⁸ DG 21-104 Final Audit Report (January 6, 2022), Audit Issues #1–6 (pages 145–151) (Attachment DHM-5).

1

Table 5: Audit Recommendation and Revenue Requirement Effect

Issue	Description	Revenue Requirement Effect
1	Odorizer Spare Parts	No effect on revenue requirements
2	Annual Reporting of ADIT (ASC 740)	No effect on revenue requirements
3	Expenses Outside Test Year Pixel and Pulp-12 months of activity results in \$33 adjustment	Immaterial, not reflected as revenue requirement adjustment
4	Expense Account Overstated Allocation Issue-\$69	Company agrees. Adjustment Included in NuNH Schedule RevReq-3-22 2/22/22 Update
5	SERP costs borne by shareholders	Adjustment reflected in DOE Adjustment #7
6	Payroll Taxes-Reconciliation of Form 940 and Form 941 between New Hampshire and Maine entities	Unknown pending Company providing reconciliation. No effect on revenue requirement expected.

2

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Adjustments to Rate Base

10

Q. What rate base had the Company proposed?

11

A. The Company's revised revenue requirement reflects an updated rate base of \$188,738,118.⁹

12

13

Q. Is DOE proposing any adjustments to the Company's proposed rate base?

14

A. Yes. DOE proposes adjustments to these rate base items:

15

- Adjust Cash Working Capital for the Lead-Lag Study and Expense Adjustments

16

- Adjustments to Net Operating Income that Also Affect Rate Base

⁹ DG 21-104, Letter to the Commission (February 22, 2022) Revised Revenue Requirements, Schedule RevReq-1 (Attachment DHM-3).

1 ***Adjust Cash Working Capital Lead/Lag Days and Reflection of Expense Adjustments***

2 **Q. Please discuss the Company's proposed cash working capital allowance in this case.**

3 A. The Company submitted a new lead-lag study based on 2020 data. Relative to the
4 Company's last base rate case, DG 17-070, the net lag increased from 23.97 days to 36.49
5 days. The result equates to a cash working capital requirement of 9.97% as a percentage of
6 O&M expenses and Taxes compared to 6.55% in DG 17-070.¹⁰

7

8 **Q. Based on DOE's review of the testimony, workpapers, and responses to discovery, what
9 are its general observations and conclusions?**

10 A. The Company's revenue lag increased from 46.31 to 51.32 days. At the same time, the
11 Company's expense lag appears to be decreasing, which indicates the Company is remitting
12 payments to its vendors earlier than in the past. DOE questioned Northern to understand the
13 trend and identified causes within the Company's control, including certain modifications to
14 the lead-lag computations and the Company's seemingly undisciplined approach to managing
15 its accounts payable.

16

17 **Q. What level of cash working capital does DOE recommend?**

18 A. DOE recommends the Company be permitted a cash working capital allowance of no more
19 than 7.43% of O&M and tax expenses, which equates to a net lag of 27.19 days. DOE
20 believes this recommendation represents a reasonable target given that the Company's
21 previous study indicated it was able to achieve a net lag of 23.97 days, or a ratio of 6.55% of
22 O&M expenses and Taxes.

¹⁰ Direct Testimony of Daniel Hurstak, Exhibit DJH-2, page 1 (Bates 000409).

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Q. Please discuss your proposed adjustments to the Company’s lead-lag study beginning with the revenue lag and the concept of “float.”

A. Differing from prior lead-lag studies, the Company’s current study includes a 1.79-day lag for revenue float in the determination of the composite sales revenue lag.¹¹ The Company explained, “Revenue float is the time between when funds are received from customers until customer payments clear the banks and are available to the Company. Certain funds are available the day payment is received while other funds are generally available within one or two days of receipt by the bank.”¹²

Q. Revenue float creates a cash working capital requirement. Would an “expense float” in whole or in part offset that need for funding?

A. Yes, to the extent that the Company remits payments to vendors via checks and ACH. However, based on the Company’s response to Request No. Energy TS 1-18, the lead-lag study does not appear to take expense float into consideration. Without directly addressing the question, the Company stated:

The Company issues payments to vendors via multiple payment types including checks, ACHs, and wires. The pay dates utilized in this Lead Lag study represent the Company’s determination of the timing of payments to vendors based on readily available information. For example, the funds for the September 26, 2020 weekly payroll expense, which is payable to employees on October 1, 2020, were wired to the payroll service provider on September 30, 2020 (the date that is used in the calculation of the expense lead lag days,

¹¹ Direct Testimony of Daniel Hurstak, Exhibit DJH-2, page 1 (Bates 000409).
¹² Direct Testimony of Daniel Hurstak, page 7 (Bates 000401).

1 see Exhibit DJH-3, page 41 of 139). In this example, there is no lag between
2 the date that the Company makes the payment to the vendor and the date that
3 the funds are unavailable to the Company.¹³
4

5 **Q. Should the Company be allowed to include a revenue float?**

6 A. No, unless the study also reflects float on the expense side, the results are biased to the
7 disadvantage of customers.
8

9 **Q. The direct labor lag decreased from 18.50 in DG 17-070 to 13.62 days in the instant**
10 **case. What did the Company attribute this change to?**

11 A. The Company stated, “There were no significant changes in the Company’s operations
12 and/or payroll processes. In DG 17-070, the calculation included a line item for ‘Vacation
13 Payroll O&M’ which was not a component of the calculation in DG 21-104. If that
14 component were not included in DG 17-070, the calculated lag days would have been 13.53
15 vs. 13.62 days in DG 21-104.”¹⁴
16

17 **Q. Is this explanation satisfactory?**

18 A. No. The Company did not justify why it changed the calculation. Therefore, DOE
19 recommends reverting to the prior approved lag factor until the Company provides a logical
20 rationale for excluding vacation payroll expense from the calculation.
21

¹³ NuNH response to Energy TS 1-18 (Attachment DHM-6).

¹⁴ NuNH response to Energy TS 1-19 (Attachment DHM-7).

1 **Q. The lag for regulatory commission expense decreased from 21.91 days in DG 17-070 to**
 2 **1.8 days in the instant case. What appears to be the driver?**

3 A. Per the Company’s response in discovery, PUC assessments are due 30 days from the receipt
 4 of invoice.¹⁵ While one of the drivers could be that the PUC is issuing bills earlier than it did
 5 in the past, DOE observed that the Company did not take full advantage of the payment
 6 terms. As shown below, the Company remitted payment between 2 and 22 days in advance.

7 **Table 6: Payment Remittance—PUC Assessment¹⁶**

Invoice Date	Due Date	Paid Date	Days Paid in Advance
(A)	(B) = (A) + 30	(C)	(D) = (B) - (C)
01/09/20	02/08/20	02/06/20	2
04/10/20	05/10/20	05/07/20	3
08/19/20	09/18/20	09/17/20	1
10/14/20	11/13/20	10/22/20	22

8
9

10 **Q. What would have been the result had the Company taken advantage of the PUC’s 30-**
 11 **day payment terms?**

12 A. Paying the PUC assessments on the due date would have increased the expense lag from 1.8
 13 days to 8.63 days as shown in the computation below:

14 **Table 7: PUC Assessment Payment on Due Date Effect on Lead/Lag Days¹⁷**

Payment Amount	Service Period			Invoice Date	Due Date	(Lead) Lag Days	Weighted Dollar Days
	Start	End	Days				
(A)	(B)	(C)	(D)	(D)	(E)	(F)	(G)
110,280.00	7/1/19 12:00 AM	7/1/20 12:00 AM	12/31/19 12:00 AM	01/09/20	02/08/20	39.00	\$ 4,300,920
110,280.00	7/1/19 12:00 AM	7/1/20 12:00 AM	12/31/19 12:00 AM	04/10/20	05/10/20	131.00	\$ 14,446,680
93,709.00	7/1/20 12:00 AM	7/1/21 12:00 AM	12/30/20 12:00 PM	08/19/20	09/18/20	(103.50)	\$ (9,698,882)
112,920.00	7/1/20 12:00 AM	7/1/21 12:00 AM	12/30/20 12:00 PM	10/14/20	11/13/20	(47.50)	\$ (5,363,700)
<u>427,189.00</u>						<u>8.63</u>	<u>3,685,018.50</u>

15
16

¹⁵ NuNH response to Energy TS 1-20 (Attachment DHM-8).

¹⁶ WP BRCS CWC Exhibit DJH-2.

¹⁷ WP BRCS CWC Exhibit DJH-2.

1 **Q. Did DOE identify any other instances in which the Company failed to take advantage of**
 2 **vendor payment terms?**

3 A. Yes, DOE believes the Company missed opportunities with respect to vehicle lease expense
 4 and property taxes. While the invoice due dates for monthly vehicle lease payments were not
 5 provided, the remittance pattern summarized below (excluding lease buyouts, interest
 6 expense, and late fees) suggests that payments are due in arrears, meaning at the end of the
 7 service period as opposed to the beginning. Nonetheless, in most months, the Company
 8 issued a check payment well in advance of this requirement. The Company’s computed lag
 9 for vehicle lease expense was 9.78 days. Had it delayed issuing payment until the last day of
 10 the service period, the result would have been 14.75 days. Moreover, there may also be a
 11 grace period which DOE is currently not able to confirm.

Table 8: Payment Remittance—Vehicle Lease Payments¹⁸

Payment Amount	Service Period			Check Date	(Lead) Lag Days	End of Month	(Lead) Lag Days	Weighted Dollar Days
	Start	End	Midpoint					
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
23,455.09	1/1/20 12:00 AM	2/1/20 12:00 AM	1/16/20 12:00 PM	1/31/20 12:00 PM	15.00	1/31/20 12:00 PM	15.00	351,826.35
23,357.62	2/1/20 12:00 AM	3/1/20 12:00 AM	2/15/20 12:00 PM	2/12/20 12:00 PM	(3.00)	2/29/20 12:00 PM	14.00	327,006.68
23,357.62	3/1/20 12:00 AM	4/1/20 12:00 AM	3/16/20 12:00 PM	3/19/20 12:00 PM	3.00	3/31/20 12:00 PM	15.00	350,364.30
23,357.62	4/1/20 12:00 AM	5/1/20 12:00 AM	4/16/20 12:00 AM	4/27/20 12:00 PM	11.50	4/30/20 12:00 PM	14.50	338,685.49
23,357.62	5/1/20 12:00 AM	6/1/20 12:00 AM	5/16/20 12:00 PM	7/16/20 12:00 PM	61.00	5/31/20 12:00 PM	15.00	350,364.30
23,357.62	6/1/20 12:00 AM	7/1/20 12:00 AM	6/16/20 12:00 AM	6/23/20 12:00 PM	7.50	6/30/20 12:00 PM	14.50	338,685.49
26,499.82	7/1/20 12:00 AM	8/1/20 12:00 AM	7/16/20 12:00 PM	7/23/20 12:00 PM	7.00	7/31/20 12:00 PM	15.00	397,497.30
26,324.33	8/1/20 12:00 AM	9/1/20 12:00 AM	8/16/20 12:00 PM	8/25/20 12:00 PM	9.00	8/31/20 12:00 PM	15.00	394,864.95
26,334.69	9/1/20 12:00 AM	10/1/20 12:00 AM	9/16/20 12:00 AM	9/23/20 12:00 PM	7.50	9/30/20 12:00 PM	14.50	381,853.01
21,822.50	10/1/20 12:00 AM	11/1/20 12:00 AM	10/16/20 12:00 PM	10/21/20 12:00 PM	5.00	10/31/20 12:00 PM	15.00	327,337.50
21,775.54	11/1/20 12:00 AM	12/1/20 12:00 AM	11/16/20 12:00 AM	11/23/20 12:00 PM	7.50	11/30/20 12:00 PM	14.50	315,745.33
21,775.54	12/1/20 12:00 AM	1/1/21 12:00 AM	12/16/20 12:00 PM	12/15/20 12:00 PM	(1.00)	12/31/20 12:00 PM	15.00	326,633.10
<u>284,775.61</u>							<u>14.75</u>	<u>4,200,863.80</u>

13
14

15 **Q. Please discuss the Company’s payment pattern with respect to property taxes.**

16 A. The property tax expense lead increased from -6.36 in DG 17-070 to -20.91 days in the
 17 instant case which is quite significant. DOE requested the Company provide the due date for

¹⁸ WP BRCS CWC Exhibit DJH-2.

1 each property tax invoice to determine whether the Company was taking full advantage of
 2 the payment terms. The Company stated, “It is not aware of any changes to statutory due
 3 dates since DG 17-070. The Company continues to pay property taxes based on the due dates
 4 provided by the towns and cities in its service territory.”¹⁹ If there were no changes in
 5 statutory due dates since DG 17-070, DOE felt further investigation was needed to
 6 understand the increase from -6.36 in DG 17-070 to -20.91 days. DOE investigated select
 7 transactions and concluded that Northern did not leverage the payment terms to minimize its
 8 cash working capital requirement. For instance, according to the New Hampshire Department
 9 of Revenue Administration website, utility property tax is due annually on or before January
 10 15. Declarations and payments of 25% of the estimated tax, based on the tax for the
 11 preceding year, are due on April 15, June 15, September 15, and December 15. The table
 12 below at Column G shows the Company remitted estimated payments as many as 18 days in
 13 advance.

Table 9: Payment Remittance—Property Taxes²⁰

Description	Payment Amount (A)	Service Period			Check / EFT Date (E)	Statutory Due Date (F)	Days Btw Due & Pmt (G)	Source
		Start (B)	End (C)	Midpoint (D)				
NH Utility Property Tax	319,311	4/1/20 12:00 AM	4/1/21 12:00 AM	9/30/20 12:00 PM	04/09/20	04/15/20	(6.50)	Bates 000523
NH Utility Property Tax	319,311	4/1/20 12:00 AM	4/1/21 12:00 AM	9/30/20 12:00 PM	05/28/20	06/15/20	(18.00)	Bates 000524
NH Utility Property Tax	319,311	4/1/20 12:00 AM	4/1/21 12:00 AM	9/30/20 12:00 PM	09/10/20	09/15/20	(5.00)	Bates 000528
NH Utility Property Tax	278,053	4/1/20 12:00 AM	4/1/21 12:00 AM	9/30/20 12:00 PM	12/16/20	12/15/20	1.00	Bates 000531

17 **Q. What does DOE propose with respect to the vehicle lease lag and property tax lead?**

18 A. DOE proposes adopting 14.75 days for vehicle leases based on its calculation which assumes
 19 the monthly payments are remitted on the last day of each service period. DOE’s proposed
 20 property tax lead reverts to the prior approved factor from DG 17-070 of -6.36 days.

¹⁹ NuNH response to Energy TS 1-25 (Attachment DHM-9),

²⁰ WP BRCS CWC Exhibit DJH-2.

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Q. Please discuss the Company’s development of the Other O&M lag factor.

A. The Company developed the factor based on a stratified sample because these expenses are made up of thousands of vouchers processed throughout the course of the test year. The sample, which accounted for 22.98% of the dollars in the “sample population,” indicated a lag of 31.70 days.

While use of a sampling approach is generally acceptable, the Company’s execution is questionable in that no evidence supports that the result is statistically significant. When asked how the Company determined 22.98% to be a statistically significant coverage ratio, the Company replied,

The Company believes that its sample size representing 22.98% of the dollars in the population is sufficient for purposes of this lead lag study.

- The sample size is comparable to 19.94% of the dollars in the population in the recently completed lead lag study for Unitil Energy Systems, Inc. (DE 21-030).
- As shown at Bates 000503, the Company’s strata included 100% of the largest invoices which represented 16.03% of the dollars in the population.
- As shown at Bates 00503, the lag days of 31.70 are primarily driven by the calculated lag days from Stratum 1 and 2. The Company does not believe that expanding the sample size in Stratum 2 and 3 would have resulted in a materially different calculation of overall lag days.²¹

²¹ NuNH response to Energy TS 1-22 (Attachment DHM-10).

1 **Q. Why does DOE question the statistical significance of the stratified sample?**

2 A. The Company developed the Other O&M lag based on reviewing only 46 vouchers from a
3 “sample population” of 1,253 vouchers;²² the “sample population” represents a subset of the
4 total population. From the perspective that the Company sampled less than 4% of the
5 available vouchers, the stratified sample appears hardly robust. Moreover, the Company
6 eliminated two invoices in the top strata that it deemed to be outliers because the “services
7 were not recurring” and therefore were “inadvertently overlooked” for payment processing.²³

8
9 **Q. What type of analytical support was DOE expecting to see?**

10 A. Where there is doubt, a sample-size calculation to determine how much data is needed to
11 achieve a reasonably reliable answer would be appropriate. In general, the more data
12 included, the more accurate the results, and there will be less error of the parameter estimate.
13 Some of the factors that affect the sample size calculation include, among others, the power
14 of the sample size, the technique used for analysis, the marginal error, the level of
15 significance, and the standard deviation.

16
17 **Q. Does DOE agree with the Company’s decision to eliminate the two invoices greater than**
18 **\$10,000 that it determined to be outliers.**

19 A. No. The invoices in question were for IRP-related consulting services performed by
20 Concentric Energy Advisors. The IRP program is ongoing, and the Company’s use of outside

²² Direct Testimony of Daniel Hurstak, Exhibit DJH-3, page 91 (Bates 000503).

²³ NuNH response to Energy TS 1-23 (Attachment DHM-11).

1 consultants is not unusual. Moreover, it is not uncommon for a certain number of invoices to
 2 be paid late each measurement period due to administrative oversight.

3

4 **Q. What does DOE propose with respect to the Other O&M lag?**

5 A. DOE proposes to restore the two invoices eliminated from the first strata. The restoration
 6 results in a lag factor of 47.10 days. DOE also recommends the Company perform a
 7 statistical analysis to ensure the Other O&M sample is objectively reliable in the future.

8

Table 10: Other O&M Lag²⁴

<u>Strata</u>	Sample Population (\$)	Sample Population (#)	Sample (\$)	Sample (#)	Sample Weighted Dollars	Population Adjusted Weighted Dollars	Lag Days
<u>Stratum 1 - All vouchers greater than \$10,000</u>	\$ 136,725	13	\$ 136,725	13	\$ 6,127,723	\$ 6,127,723	44.82
Include: Concentric Invoice - 7/1/2019 through 7/31/2019	31,291	1	31,291	1	7,947,914	7,947,914	254.00
Include: Concentric Invoice - 6/1/2019 through 6/30/2019	28,041	1	28,041	1	7,977,593	7,977,593	284.50
	196,057	15	196,057	15	22,053,230	22,053,230	112.48
 <u>Stratum 2 - Every 10th voucher from \$10,000 down to \$1,000</u>	 536,591	 220	 56,936	 22	 1,848,521	 17,421,329.39	 32.47
 <u>Stratum 3 - Every 100th voucher under \$1,000</u>	 179,614	 1,020	 2,368	 11	 46,022	 3,491,009	 19.44
	\$ 912,262	1,255	\$ 255,360	48	\$ 23,947,774	\$ 42,965,568	47.10

9

10

11 **Q. Please discuss the impact of negative state income taxes on cash working capital and**
 12 **how it is reflected in the Company's study.**

13 A. Negative state income tax represents a deferred tax liability. As the Company remits no
 14 payment in the current period, the related cash working capital requirement should be zero.
 15 That notwithstanding, the Company's calculation reflects a cash working capital requirement
 16 other than zero because the Company included annual state income tax of -\$781,343.²⁵ To
 17 correct this mistake, the input for annual state income tax expense should be changed to zero,
 18 which will appropriately result in zero cash working capital requirement.

²⁴ WP BRCS CWC Exhibit DJH-2.

²⁵ Direct Testimony of Daniel Hurstak, Exhibit DJH-2, page 1, line 20, column 1 (Bates 000409).

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Q. Please explain DOE’s recommended Cash Working Capital adjustment.

A. The Company’s Cash Working Capital was developed through the preparation of a lead-lag study. As discussed, DOE recommends an adjustment to the lag days from 36.49 (9.97%) to 27.19 (7.43%). Since the lag days ratio is applied to each component of the cost of service to quantify the cash working capital requirement, the Cash Working Capital balance must also be updated to reflect DOE’s recommended adjustments that are discussed within this testimony. As shown on Schedule 3.1, DOE’s recommended adjustment to Cash Working Capital *reduces* Rate Base by \$617,110.

Adjustments to Net Operating Income that Also Affect Rate Base

Q. What adjustments to Net Operating Income also affect Rate Base?

A. The following Net Operating Adjustments affect Rate Base. I present the rate base impact in the discussion of these adjustments later in my testimony.

- Eliminate Restrict Stock Plan Awards (Schedule 3.5—*reduces* Rate Base by \$136,684)
- Eliminate EPS Component of Incentive Compensation (Schedule 3.6—*reduces* Rate Base by \$109,390)
- Eliminate SERP (Schedule 3.7—*reduces* Rate Base by \$147,440)
- Eliminate Company Contribution to Non-Qualified Deferred Comp (Schedule 3.8—*reduces* Rate Base by \$24,253)
- Sharing of Directors and Officers Liability Insurance (Schedule 3.9—*reduces* Rate Base by \$17,629)

1 **Q. What is the impact of DOE’s recommended adjustments to the Company’s requested**
2 **rate base?**

3 A. The Company’s updated requested rate base is \$188,738,118. DOE’s recommended
4 adjustments *reduce* the rate base to \$187,685,611.

5

6 **Adjustments to Net Operating Income**

7 **Q. What net operating income has the Company proposed?**

8 A. The Company’s revised revenue requirement reflects an updated proposed net operating
9 income at current rates of \$8,814,586.²⁶

10

11 **Q. Is DOE proposing any adjustments to the Company’s proposed net operating income?**

12 A. Yes. DOE recommends adjustments to these expense components:

- 13 • Eliminate Inflation Allowance for Residual O&M Expenses
 - 14 • Eliminate 2022 Wage and Salary Increase
 - 15 • Eliminate Increase to 401(k) Associated with 2022 Wage and Salary Increase
 - 16 • Eliminate Restricted Stock Plan Awards
 - 17 • Eliminate EPS Component of Incentive Compensation
 - 18 • Eliminate SERP
 - 19 • Eliminate Company Contribution to Non-Qualified Deferred Comp
 - 20 • Sharing of Directors and Officers Liability Insurance
 - 21 • Convert to Whole Life Depreciation Methodology
 - 22 • Amortization of Theoretical Depreciation Reserve Imbalance
 - 23 • Remove Post-Test-Year Project Amortization
 - 24 • True-Up Payroll Taxes for Other Adjustments
 - 25 • Update Distribution Bad Debt for Revenue Change
 - 26 • Interest Synchronization
- 27

²⁶ DG 21-104, Letter to the Commission (February 22, 2022) Revised Revenue Requirements, Schedule RevReq-1 (Attachment DHM-3).

1 ***Eliminate Inflation Allowance for Residual O&M Expenses***

2 **Q. Please explain DOE’s recommended adjustment: Eliminate Inflation Allowance for**
3 **Residual O&M Expenses.**

4 A. The Company proposes an inflation adjustment to Residual O&M Expenses. To determine
5 Residual O&M Expenses, test year expenses were reduced by (1) expenses that have been
6 adjusted separately and (2) expenses that are not subject to general inflation. The Company
7 applied a 5.12% projected inflation rate to Residual O&M Expenses of \$3.2 million, which
8 results in an increase to other O&M expense of \$165,684.²⁷ As shown on Schedule 3.2,
9 DOE’s recommended adjustment removes the inflation adjustment since it is not known and
10 measurable. The adjustment *increases* net operating income by \$120,812.

11

12 **Q. Please explain why an inflation adjustment is not appropriate.**

13 A. First, the Company used a historical test year with what it claims are “known and
14 measurable” changes. By using an estimated inflation adjustment for “residual O&M
15 expenses,” along with the other adjustments for 2022, the Company has, in essence created a
16 future test year. This process goes against traditional “known and measurable” ratemaking
17 practices. These estimated inflationary adjustments are not known and measurable. Simply
18 applying a projected inflation rate to a collection of expenses does not result in the specific,
19 individual components included in “residual O&M expenses” becoming actual known and
20 measurable costs. Known and measurable adjustments should be applied to specific items.
21 The Company’s blanket adjustment of applying a common inflation factor to all “residual

²⁷ Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 26 (Bates 000078) and NuNH Schedule RevReq-3-15 (Bates 000155).

1 O&M expense” ignores other factors that can affect these residual costs. The common
2 inflation factor may not be representative of specific actual cost changes. Finally, arbitrarily
3 applying an estimated inflation factor to other O&M expenses removes the important
4 responsibility of management to control costs.

5
6 **Q. Has the Company requested an inflation adjustment in the past?**

7 A. Yes. The Company proposed an inflation adjustment in the last distribution rate proceeding,
8 Docket No. DG 17-070. Commission Staff recommended disallowing the inflation
9 adjustment in that proceeding. The adjustment remains inappropriate in this proceeding.

10
11 **Q. What does DOE recommend?**

12 A. DOE recommends that the Company’s application of an inflation adjustment to all “residual
13 O&M expense” be rejected. The Company should follow traditional “known and
14 measurable” ratemaking practices by applying adjustments that *are* known and measurable to
15 specific, individual components that are within one year past the end of the test year.

16
17 ***Eliminate 2022 Wage and Salary Increase***

18 **Q. Please explain DOE’s recommended adjustment: Eliminate 2022 Wage and Salary**
19 **Increase.**

20 A. The Company has proposed a wage and salary increase for 2022, which is more than twelve
21 months past the end of the test year. The Company has included a Northern Non-union
22 increase of 3.24 percent effective January 1, 2022, Union increase of 3.0 percent effective
23 September 6, 2022, and Unitil Service Corporation (USC) increase of 4.56 percent effective

1 January 1, 2022.²⁸ DOE's adjustment removes these increases because they are too far
2 beyond the end of the test year. By including those increases, the Company is essentially
3 attempting to create an estimated future test year, and its request should be denied. As
4 discussed earlier, DOE supports the Commission's long-standing practice to limit known and
5 measurable adjustments to within the twelve months following the test year. The Company
6 2022 wages and salaries increase covers a time that is in excess of twelve months beyond the
7 end of the test year. As shown on Schedule 3.3, DOE's recommended adjustment *increases*
8 net operating income by \$203,031.

9
10 ***Eliminate Increase to 401(k) Associated with 2022 Wage and Salary Increase***

11 **Q. Please explain DOE's recommended adjustment: Eliminate Increase to 401(k)**
12 **Associated with 2022 Wage and Salary Increase.**

13 A. The Company's proposal to increase 2022 wages and salaries results in an increase in its
14 401(k) contribution. Consistent with DOE's adjustment to eliminate the 2022 wage and
15 salary increase, the increase to the 401(k) should also be removed. As shown on Schedule
16 3.4, DOE's recommended adjustment *increases* net operating income by \$11,538.

17
18 ***Eliminate Restricted Stock Plan Awards and EPS Component of Incentive Compensation***

19 **Q. Please explain DOE's recommended adjustment: Eliminate Restricted Stock Plan**
20 **Awards and EPS Component of Incentive Compensation.**

21 A. The Company's rate request reflects costs from three incentive compensation plans:
22

²⁸ NuNH Schedule RevReq-3-4, footnote (3).

- 1 • Unitil Corporation 2003 Stock Plan
- 2 • Unitil Corporation Management Incentive Compensation Plan
- 3 • Unitil Corporation Incentive Compensation Plan

4
5 The Stock Plan awards Shares and Restricted Stock Units to key management employees
6 based exclusively on accomplishing shareholder-focused goals. The Company’s two other
7 incentive compensation plans (Unitil Corporation Management Incentive Plan and Unitil
8 Corporation Incentive Compensation Plan) reward employees based on a corporate scorecard
9 that has a significant focus on shareholder-related goals. DOE’s adjustment removes the
10 awards under the Stock Plan and the portion of Incentive Compensation that is related to
11 shareholder goals.

12
13 **Q. Please elaborate on DOE’s adjustment regarding the Unitil Corporation 2003 Stock**
14 **Plan.**

15 A. The Company has a Stock Plan that awards grants of Shares and Restricted Stock Units to
16 key management employees. The objective of the plan is “to optimize the profitability and
17 growth of the Company through incentives that are consistent with the Company’s goals and
18 which *link the personal interests of Participants to those of the Company’s shareholders...*
19 [emphasis added].”²⁹ The Plan document states that the performance measures for awards
20 “shall be chosen from among earnings per share, economic value added, market share (actual
21 or targeted growth), net income (before or after taxes), operating income, return on assets
22 (actual or targeted growth), return on capital (actual or targeted growth), return on investment
23 (actual or targeted growth), revenue (actual or targeted growth), share price, stock price
24 growth, total shareholder return, or other performance measures as are duly approved by the

²⁹ PUC 1604.01(a)-15 Attachment 2 (Bates 000229).

1 Committee and the Company's shareholders."³⁰ All these goals benefit the Company's
2 shareholders. Since the Company focuses the awards on goals of shareholder interest, DOE's
3 adjustment transfers the responsibility for funding the plan to the shareholders where it
4 belongs.

5

6 **Q. Who participates in the Stock Plan?**

7 A. The Compensation Committee of the Company's Board of Directors selects key management
8 employees of the Corporation to participate in the Stock Plan.³¹

9

10 **Q. How much has the Company expensed related to the Restricted Stock Plan in the test**
11 **year?**

12 A. During the test year, the Company expensed \$2.2 million related to the Restricted Stock Plan.
13 Through the USC billing process, \$433,778 was allocated to Northern, with \$297,095
14 reflected as O&M expenses and \$136,684 allocated as UES capital charges.³² The Company
15 stated that these costs were not adjusted for annual payroll increases.

16

17 **Q. What is DOE's recommendation regarding the Restricted Stock Plan?**

18 A. DOE's adjustment appropriately removes the Restricted Stock awards allocated to UES for
19 both expenses (\$297,095) and rate base (\$136,684) from the test year, effectively transferring
20 the cost of these awards to shareholders who receive the benefit from achievement of the

³⁰ PUC 1604.01(a)-15 Attachment 2 (Bates 000237).

³¹ DE 21-030 UES response to DOE 5-10 (Attachment DHM-12).

³² NuNH response to Energy 4-16, Attachment 3 (Attachment DHM-13).

1 goals of the plan. As shown on Schedule 3.5, DOE’s recommended adjustment *increases* net
2 operating income by \$216,633 and *reduces* rate base by \$136,684.

3

4 **Q. Please explain DOE’s recommendation regarding the other two incentive compensation**
5 **plans.**

6 A. The Company’s two other incentive compensation plans (Unitil Corporation Management
7 Incentive Plan and Unitil Corporation Incentive Compensation Plan) reward employees
8 based on a corporate scorecard significantly focused on shareholder-related goals. DOE
9 recommends transferring the portion of the Incentive Compensation focused on shareholder
10 goals to shareholders.

11

12 **Q. Please elaborate.**

13 A. The Unitil Corporation Management Incentive Plan provides benefit to key management
14 employees selected by the Corporation’s Board of Directors.³³ The Unitil Corporation
15 Incentive Plan includes employees who are not selected by the Board of Directors to
16 participate in the Management Plan.³⁴ Prior to the beginning of each Performance Period,
17 objectives are established that must be achieved prior to award. The objectives are given a
18 ranking “based on the relative impact of each Performance Objective on the Corporation’s
19 performance.”³⁵ The goals are the same for both senior management and non-union

³³ Puc 1604.01(a), Attachment 1, Bates 000223.

³⁴ NuNH response to Energy 4-14, Attachment 1 (Attachment DHM-14).

³⁵ Puc 1604.01(a), Attachment 1, Bates 000224.

1 employees. Union employees are not eligible to participate.³⁶ The following table provides
 2 the Performance Objectives and their relative weights for 2020 and 2021.³⁷

3 **Table 11: Incentive Compensation Performance Objectives and Weighting 2021–2022**

Measure	Weight of Measure	
	2020	2021
Earnings per Share (EPS)	40%	40%
Gas Safety-Response to Odor Calls	10%	10%
Reliability-SAIDI Minutes	10%	10%
Customer Satisfaction	10%	10%
O&M Cost per Customer	30%	30%
	100%	100%

4

5 **Q. How much of the Incentive Compensation costs does DOE believe should be funded by**
 6 **shareholders?**

7 A. Forty percent. The Earnings per Share (EPS) objective is weighted 40%. EPS is a
 8 shareholder-related goal. Therefore, the Company’s shareholders should fund that portion of
 9 the Incentive Compensation focused on their behalf. The incentive costs, then, are shared
 10 between the shareholders and ratepayers who each receive some benefit from the
 11 accomplishment of the goals.

12

13 **Q. Please explain further why DOE believes the shareholders, and not the ratepayers,**
 14 **should fund the Restricted Stock Plan and the EPS portion of Incentive Compensation.**

15 A. Measures like earnings per share (EPS), which are driven by increases to net income or
 16 profitability, form the basis for the award of Restricted Stock. Forty percent of the weighted
 17 goals for Incentive Compensation payouts are awarded based on achieving a specified EPS

³⁶ Puc 1604.01(a), Attachment 1, Bates 000223 and NuNH response to Energy 4-14, Attachment 1 (Attachment DHM-14).

³⁷ NuNH response to Energy 4-14, Attachment 2 (Attachment DHM-14).

1 goal. EPS or profitability goals align with the interests of the Company's shareholders.
2 Obtaining payouts through the Restricted Stock Plan and Incentive Compensation provides
3 management with a significant monetary incentive to focus its efforts on these shareholder-
4 related goals. To increase profitability during a period of slow revenue growth, a company
5 must focus on reducing expenses (or increasing its authorized return on its assets). While
6 reducing expenses can and should benefit ratepayers, taken to an extreme, it can harm
7 customers.

8
9 **Q. Please explain why focusing on shareholder-related goals could hurt ratepayers.**

10 A. Reducing expenses drives up net income or profitability that should benefit ratepayers.
11 However, if management focuses too heavily on profitability in order to receive Restricted
12 Stock or Incentive Compensation payouts, the shareholders could receive benefits at the
13 expense of ratepayers. For example, expenses can be reduced by deferring maintenance.
14 Another example is to reduce expenses by failing to adequately staff Customer Service. With
15 a reduced Customer Service staff, customers could experience outages and find it difficult to
16 contact Customer Service to report those outages. With reduced staff, Customer Service
17 would also have increased wait times for other inquiries or complaints. In such a case, by
18 reducing expenses, the Company's management could meet its EPS goal and O&M Cost per
19 Customer goal, which are weighted heavily to gain incentive pay (40% and 30%,
20 respectively) even though the resulting failures in customer service would cause the loss of
21 its lower-weighted Reliability and Customer Satisfaction goals, which are only 10% each.
22 Thus, management would benefit in incentive pay at the expense of the customer.

1 Having goals to incent performance is a good management practices; however, it is
2 important that incentive payments balance performance goals so as to derive the desired
3 behaviors. The Company has made the decision to incent shareholders' goals more than those
4 of the ratepayers. Therefore, shareholders should fund the awards that accrue to management
5 for achieving the goals that benefit them. Ensuring that the competing interests are balanced
6 is also important. This balance is achieved by requiring the sharing of incentive costs
7 between ratepayers and shareholders. Therefore, DOE recommends the portion of the
8 Incentive Compensation that more closely benefits shareholders be funded by shareholders.

9
10 **Q. Were the incentive compensation awards included in the 2021 and 2022 wage increases?**

11 A. The Company did not include the Restricted Stock Plan costs in the test year payroll amounts
12 and did not adjust them for annual payroll increases. The USC billing process charges those
13 costs to UES.³⁸ Conversely, the Company included the other two incentive plans in the test
14 year payroll, and the plans were also components in the 2021 and 2022 annual payroll
15 increases. Therefore, DOE's adjustment removes the disallowed incentive compensation
16 from the 2021 payroll increase. However, DOE's adjustment does not include the 2022
17 component since DOE's adjustment "Eliminate 2022 Wage Increase" removed all the 2022
18 annual payroll increase.

19
20 **Q. What is DOE's recommendation regarding the Incentive Compensation Plans?**

21 A. DOE's adjustment appropriately removes 40 percent of Incentive Compensation awarded
22 based on a corporate scorecard that has a significant focus on shareholder-related goals,

³⁸ NuNH response to Energy 4-16 (Attachment DHM-13).

1 effectively transferring the cost of these awards to shareholders who receive the benefit from
2 achievement of the goals of the plan. As shown on Schedule 3.6, DOE's recommended
3 adjustment *increases* net operating income by \$144,324 and *reduces* rate base by \$109,390.

4
5 ***Eliminate SERP and Company Contribution to Non-Qualified Deferred Compensation***
6 ***Plan Costs***

7 **Q. How did the Commission Staff address SERP in the last base rate case?**

8 A. SERP has not been addressed in Staff's testimony in the last three Northern cases. However,
9 in Case No. DE 16-384, related to Northern's sister electric company, Unitil Electric Energy
10 Systems, Inc., Commission Staff testimony stated that Staff was not opposed to including
11 SERP in general rates. Staff stated that in 2016, SERP included six participants—five active
12 senior executive employees and one retired employee. Staff stated that while the Company
13 had closed SERP to new hires, it would be open to existing employees after any promotion to
14 senior executive positions in the future. Commission Staff expressed concern that the total
15 number of SERP participants could increase as executives retired and were replaced, *possibly*
16 *doubling the costs borne by ratepayers*. Commission Staff had a few recommendations to
17 stabilize the expense recovered from ratepayers. Commission Staff recommended that,
18 effective January 1, 2017, the defined benefit SERP be closed to new participation and that
19 the Commission not authorize recovery by ratepayers of SERP expense for any new senior
20 executive participants. After January 1, 2017, UES could propose a new SERP for its senior
21 executives, but Commission Staff recommended that any new SERP be reviewed and
22 approved by the Commission before implementation.

1 **Q. How does Staff’s observations in the Unitil case apply to Northern?**

2 A. Northern’s rate request in the instant proceeding includes SERP expenses allocated from the
 3 Service Company for selected executives designated by the Board of Directors.³⁹ The Service
 4 Company that supports Northern also supports Unitil. Observations made regarding Unitil
 5 are also relevant to Northern.

6

7 **Q. Has the SERP expense increased as expected by Commission Staff since DE 16-384?**

8 A. SERP has more than doubled since the last base distribution rate case. The total USC SERP
 9 expense per the actuary in 2016 was \$1,112,151. In 2021, the total USC SERP expense per
 10 the actuary increased to \$2,357,253. The following table shows the total USC SERP expense
 11 and the amount that was allocated to Northern.⁴⁰

12

Table 12: SERP Expense 2016–2021

Year	Total SERP	Allocated to nUNH			
		O&M	Capital	Total	
2016	\$ 1,112,151	\$ 141,672	\$ 64,187	\$ 205,859	
2017	1,336,224	170,631	78,976	249,607	21.3%
2018	1,566,259	206,093	92,593	298,686	19.7%
2019	1,438,762	190,866	85,952	276,818	-7.3%
2020	1,924,767	261,677	120,389	382,066	38.0%
2021	2,357,253	320,475	147,440	467,915	22.5%
% Change 2016 to 2021	112%			127%	

13

14

15 **Q. What is the Company seeking to recover for SERP in this proceeding?**

16 A. The Company is seeking to recover SERP costs allocated to Northern of \$467,915, with
 17 \$320,475 recovered as O&M and \$147,440 recovered through capital.⁴¹

³⁹ NuNH response to Energy 4-24 (Attachment DHM-15).

⁴⁰ NuNH response to Energy 4-24, Attachment 1 (Attachment DHM-15).

⁴¹ NuNH RevReq Workpaper 4.3.

1

2 **Q. Did the Company implement Commission Staff’s recommendation in DE 16-384?**

3 A. Regarding Commission Staff’s recommendation to close the defined benefit to new
4 participation effective January 1, 2017, the Company did close SERP to new participants in
5 2018. SERP currently provides benefit to four retired executives, and two active executives
6 who are eligible to receive SERP when they retire.⁴²

7

8 **Q. Has the Company replaced the SERP with another program?**

9 A. Yes. The Company closed SERP to new participants in 2018, and in 2019, following the
10 restriction of any new enrollment in USC’s Pension Plan or the SERP, USC enrolled in a
11 non-qualified deferred compensation plan (NQDC).⁴³ The Board of Directors determines
12 which management employees or highly compensated employees of the Company can
13 participate in the deferred compensation plan.⁴⁴ Currently, the NQDC plan participants are
14 employees who are not already participating in the SERP benefit—the SERP and NQDC are
15 mutually exclusive.⁴⁵

16

17 **Q. How much is the Company seeking for NQDC in its rate request?**

18 A. The Company is seeking NQDC plan costs allocated to Northern of \$76,970, with \$52,717
19 recovered as O&M and \$24,253 charged to capital.⁴⁶

20

⁴² Direct Testimony of John F. Closson and Joseph F. Conneely, page 17 (Bates 000307).

⁴³ Direct Testimony of John F. Closson and Joseph F. Conneely, page 23 (Bates 000313).

⁴⁴ NuNH response to Energy 4-23 (Attachment DHM-16).

⁴⁵ NuNH response to Energy 4-24 (Attachment DHM-15).

⁴⁶ NuNH RevReq Workpaper 4.6.

1 **Q. Are the NQDC plan costs expected to increase like the SERP costs did?**

2 A. Yes. The number of participants increased from two in 2021 to six in 2022.⁴⁷ With the
3 increased number of participants, NQDC plan costs will likely more than double in just one
4 year.

5

6 **Q. What is DOE's recommendation?**

7 A. DOE recommends that the SERP costs and NQDC plan costs be disallowed. In DE 16-384,
8 Commission Staff expressed concern that the total number of SERP participants could
9 increase as executives retired and were replaced, *possibly doubling the costs borne by*
10 *ratepayers*. These costs did increase and will likely continue to do so.

11 Shareholders should pay the costs of SERP and NQDC. This recommendation means
12 that ratepayers will pay for the executive benefits included in the Company's regular pension
13 plan and shareholders will pay for the additional executive benefits included in the
14 supplemental plans. For ratemaking purposes, shareholders should bear the additional costs
15 associated with supplemental benefits to highly compensated executives since these costs are
16 not necessary for the provision of utility service but are instead discretionary costs to attract,
17 retain, and reward already highly compensated executives. As shown on Schedule 3.7,
18 DOE's recommended adjustment removing SERP *increases* net operating income by
19 \$233,680 and *reduces* rate base by \$147,440. As shown on Schedule 3.8, DOE's
20 recommended adjustment to remove the Company's contribution to Deferred Compensation
21 *increases* net operating income by \$38,440 and *reduces* rate base by \$24,253.

22

⁴⁷ NuNH response to Energy 4-23 (Attachment DHM-16).

1 ***Sharing of Directors & Officers Liability Insurance***

2 **Q. Please explain DOE’s recommended adjustment: Sharing of Directors and Officers**
3 **(D&O) Liability Insurance.**

4 A. DOE’s adjustment removes one-half of the D&O Liability Insurance expense. The
5 adjustment reflects a sharing of the expense between shareholders and ratepayers. As shown
6 on Schedule 3.9, DOE’s recommended adjustment *increases* net operating income by
7 \$19,508 and *reduces* rate base by \$17,629.

8
9 **Q. Why should the cost of D&O Liability Insurance Expense be shared between**
10 **shareholders and ratepayers?**

11 A. The Company stated, “D&O Liability Insurance protects the personal assets of corporate
12 directors and officers in the event they are personally sued by employees, vendors,
13 competitors, investors, customer, or other parties, for actual or alleged wrongful acts in
14 managing a company.”⁴⁸ The cost of D&O Liability Insurance should be shared as both
15 shareholders and ratepayers benefit. Shareholders benefit from payouts under the policy that
16 would reduce the cost not recoverable from ratepayers. On the other hand, ratepayers benefit
17 because having the insurance improves the ability of the Company to attract and retain
18 qualified directors and officers and enables the directors and officers to make decisions
19 without fear of personal financial loss. As a result, it is reasonable for shareholders to bear
20 some of the cost of D&O Liability Insurance.

21

⁴⁸ NuNH response to Energy 4-32 (Attachment DHM-17).

1 ***Convert to Whole Life Depreciation Methodology***

2 **Q. What is DOE's recommendation with respect to the Company's Depreciation Study**
3 **and related test year adjustment?**

4 A. As discussed in the testimony of Stephen Eckberg, the Company proposes an adjustment to
5 depreciation expense to reflect the use of the Remaining Life Methodology to establish
6 depreciation accrual rates going forward. DOE recommends rejecting the use of the
7 Remaining Life Methodology. Depreciation accrual rates should be set by adhering to the
8 Commission's long-standing use of straight-line, average life, whole life depreciation with an
9 amortization period to recover any difference between book depreciation reserve and the
10 theoretical depreciation reserve by account. The whole-life technique is consistent with the
11 Commission's practice for setting depreciation accrual rates for other natural gas, electric,
12 and water utilities. As shown on Schedule 3.10, DOE's recommended adjustment *increases*
13 net operating income by \$559,261.

14
15 ***Amortization of Theoretical Depreciation Reserve Imbalance***

16 **Q. Please explain DOE's adjustment to Theoretical Depreciation Reserve Imbalance.**

17 A. If DOE's recommendation of continuing the use of the Whole Life Methodology in setting
18 depreciation accrual rates is adopted, the Theoretical Depreciation Reserve Imbalance must
19 be amortized separately. As discussed in the testimony of Stephen Eckberg, applying the
20 Whole Life Methodology to the Company's depreciation study results in a Theoretical
21 Reserve Imbalance of \$18,518,579.⁴⁹ DOE recommends that the Theoretical Depreciation

⁴⁹ The Calculated Accrued Depreciation is more than the Book Depreciation Reserve balance. NuNH response to Energy 4-36 (Attachment DHM-18) and NuNH response to Energy TS 1-12 (Attachment DHM-19). The Company's depreciation expert confirmed the reserve imbalance was \$18,518,579 in NuNH's response to Energy

1 Reserve Imbalance be amortized over ten years consistent with the average time between two
 2 depreciation studies. Adoption of a ten-year amortization period *increases* depreciation
 3 expense by \$1,851,858. As shown on Schedule 3.11, DOE’s recommended adjustment
 4 *decreases* net operating income by \$1,350,319.

5
 6 ***Remove Post-Test-Year Project Amortization***

7 **Q. Please explain DOE’s adjustment: Remove Post-Test-Year Project Amortization.**

8 A. DOE recommends that the amortization of projects that were not in service at the end of the
 9 test year (listed below) be removed from the permanent rates and be transferred to the Step
 10 Increase.

11 **Table 13: USC Projects Not In Service by the End of the Test Year⁵⁰**

Project	In-Service Date	Project Cost	Annual Amortization
<u>Post Test Year NuNH 303-Intangible Plant:</u>			
FCS Upgrade	Mar-21	\$ 25,628	\$ 5,882
2020 IT Infrastructure	Apr-21	338,113	64,472
Customer Facing Enhancements	Apr-21	163,139	31,197
2020 Interface Enhancements	Apr-21	32,566	6,222
General Software Enhancements	Apr-21	1,952	383
2020 Reporting Blanket	Apr-21	25,045	4,707
Powerplan Upgrade	Apr-21	81,136	15,546
		<u>\$ 667,579</u>	<u>\$ 128,409</u>
<u>Post Test Year USC Amortization Billed to NuNH</u>			
SOX Modernization	Feb-21	75,517	15,103
USC Time & Billing Upgrade/Replacement	Nov-21	625,663	125,133
2020 Flexi Upgrade	Feb-21	25,531	5,106
		<u>\$ 726,711</u>	<u>\$ 145,342</u>
NuNH Apportionment			20.18%
Annual Amortization			<u>\$ 29,330</u>

TS 1-12, which was slightly different than the amount included in the Whole Life Schedules provided in NuNH’s response to Energy 4-36.

⁵⁰ NuNH response to Energy 4-38 (Attachment DHM-20) and Energy 4-39 (Attachment DHM-21).

1 As shown on Schedule 3.12, DOE's recommended adjustment *increases* net operating
2 income by \$115,018.

3

4 ***True Up Payroll Taxes and Remove Payroll Taxes above Social Security Limit***

5 **Q. Please explain DOE's recommended adjustment: True Up Payroll Taxes and Remove**
6 **Payroll Taxes above Social Security Limit**

7 A. Payroll taxes reflect the effective tax rate for the Company's Social Security and Medicare
8 taxes that correspondingly decrease as a result of DOE's adjustments to employee
9 compensation (2022 Pay Increase and Incentive Compensation). In addition, DOE's
10 adjustment also recognizes that Social Security taxes are not paid on wages and salaries in
11 excess of the taxable limit of \$142,800.⁵¹ As shown on Schedule 3.13, DOE's recommended
12 adjustment *increases* net operating income by \$25,511.

13

14 ***Update Distribution Bad Debt for Revenue Change***

15 **Q. Please explain DOE's recommended adjustment: Update Distribution Bad Debt for**
16 **Revenue Change.**

17 A. DOE's adjustment updates the Distribution Bad Debt expense to reflect DOE's
18 recommended revenue increase using the 2019 delivery net-write-off percent of 0.71%
19 proposed by the Company. As shown on Schedule 3.14, DOE's recommended adjustment
20 *increases* net operating income by \$14,660.

21

⁵¹ The Company agreed that its initial filing did not reflect that Social Security taxes are not paid on wages and salaries in excess of the taxable limit of \$142,800. The Company made the correction in its Corrections and Update filing, NuNH response to Energy 4-26 (Attachment DHM-22) and DG 21-104, Letter to the Commission (February 22, 2022) Revised Revenue Requirements (Attachment DHM-3).

1 **Q. Why is the 2019 delivery net-write-off percent used instead of the 2020 percentage?**

2 A. The Company explained that the level of write-off activity in 2020 was not reflective of a
 3 normal year’s level due to the disconnection moratorium that was issued in March 2020 by
 4 the State of New Hampshire and ordered in PUC Order No. 26,343.⁵² DOE reviewed the
 5 2019 delivery net-write-off percent of 0.71% to the delivery net-write-off percent used in the
 6 last base distribution rate case (DG 17-070) of 0.68% and found the Company’s use, under
 7 the circumstances, not unreasonable.⁵³

8

9 ***Interest Synchronization***

10 **Q. Please explain DOE’s recommended adjustment: Interest Synchronization.**

11 A. The interest synchronization adjustment synchronizes rate base and cost of capital with the
 12 tax calculation. It is calculated by multiplying rate base by the weighted cost of debt to derive
 13 the interest expense. The calculated interest expense is then compared against the interest
 14 expense used by the Company in its computation of test year income tax expense. The
 15 adjustment for interest synchronization is the tax effect of the difference in interest expense.
 16 This adjustment ensures that the revenue requirement reflects the tax costs or tax savings
 17 from a change the interest earned on rate base. As shown on Schedule 3.15, DOE’s
 18 recommended adjustment *increase* net operating income by \$55,175.

⁵² Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 18 (Bates 000070).

⁵³ Comparing a net delivery write off of 0.71% instead of 0.68% results in ~5.1% difference in Uncollectible Delivery Revenue.

	DG 17-070 12/31/16	DG 21-104 12/31/19	Difference
Write-Offs as a % of Retail Delivery Billed Revenue	0.68%	0.71%	0.03%
Comparison of Write-Off Assuming DG 21-104 Billed Revenue			
DG 21-104 Total Normalized Delivery Retail Billed Revenue	\$ 47,219,939	\$ 47,219,939	
Uncollectible Delivery Revenue	\$ 320,948	\$ 337,472	\$ 16,524 5.1%

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22

Q. What is the impact of DOE’s recommended adjustments to the Company’s net operating income?

A. The Company’s updated proposed net operating income at current rates is \$8,814,586. DOE’s recommended adjustments *increase* net operating income to \$9,221,859.

HB700 Property Taxes

Q. Please explain HB700 Property Taxes.

A. HB700 refers to the New Hampshire House Bill (HB) 700. HB 700 (codified as RSA 72:8-d and -e) establishes a new methodology for valuing utility distribution assets for property tax purposes and requires the Commission to establish a rate recovery mechanism for any public utility owning property that meets the definition of “utility company assets.” The mechanism will “adjust annually to recover all property taxes paid by each such utility on such utility company assets” or “be established in an alternative manner acceptable to both the utility and the public utility commission.”

Q. Has the Commission approved a methodology for recovery of HB700 property taxes?

A. Yes. The Company made a filing in Docket No. DG 21-123 with a proposal to recover the increase in local property taxes associated with RSA 72:8 in a new rate component included in the Company’s LDAC. In that Docket, Northern proposed, to calculate the portion of the local property taxes to be recovered through the RCAM⁵⁴ by subtracting the *local property expense* approved as part of the

⁵⁴ RCAM=Recovery Cost Adjustment Mechanism.

1 revenue requirement in Northern’s last rate case (plus amounts added by
2 approved step increases) from the amount of actual local property tax bills
3 paid by Northern in the calendar year. The resulting difference will be
4 recovered over the course of the next year through the RCAM portion of the
5 LDAC.

6 On February 15, 2022, the Commission approved the Company’s request, but required the
7 Company to name the rate adjustment mechanism for property taxes the Property Tax
8 Adjustment Mechanism (PTAM).⁵⁵

9
10 **Q. What is reflected in the instant docket regarding HB700?**

11 A. In the instant docket, the Company proposes that “[o]n an annual basis, actual property tax
12 expense for the prior calendar year shall be compared against the amount in base rates and
13 any variances will be reconciled through the RCAM mechanism. Annual actual property tax
14 expense shall be normalized to adjust for any credits received due to abatement settlement
15 proceeds received for tax years preceding the test year. As proposed in Docket No. DG 21-
16 123, the RCAM shall recover any over- or under-recoveries beginning on November 1 of
17 each year.”⁵⁶

18
19 **Q. Is the Company’s proposal consistent with what the Commission approved in Docket**
20 **No. DG 21-123.**

21 A. No. First, the Company’s proposal in the instant docket was filed prior to the Commission’s
22 order. The Commission ordered that the RCAM be renamed PTAM. Second, the Company’s

⁵⁵ Docket No. DG 21-123 Order No. 26,581 (February 15, 2022).

⁵⁶ Direct Testimony of Christopher J. Goulding and Daniel T. Nawazelski, page 43 (Bates 000095).

1 proposal in the instant docket seeks recovery of all property taxes through the PTAM. The
2 Commission approved recovery of *local property taxes* through the PTAM.

3
4 **Q. What is the Local Property Tax Base that should be used to reconcile the annual PTAM**
5 **recovery?**

6 A. Total Property Taxes included in the Revenue Requirements is \$5,523,322. Since the PTAM
7 recovers only Local Property Taxes, the \$1,370,478 for State of New Hampshire Property
8 Taxes should be removed to establish the Local Property Tax Base that should be used to
9 reconcile the annual PTAM recovery as shown on Schedule 4 and summarized in the
10 following table.

11 **Table 14: Local Property Taxes Base for PTAM**

Total Property Taxes	\$ 5,523,332
Less State of NH Property Taxes	<u>(1,370,478)</u>
Property Tax Base for PTAM	<u><u>\$ 4,152,854</u></u>

12
13 **Step Adjustment**

14 **Q. Does DOE have any comments regarding the Step Increase?**

15 A. Yes. DOE supports one step adjustment with the following conditions:

- 16 1) The amounts presented by the Company represent budgeted amounts, not actual.
17 DOE supports the inclusion of only actual amounts related to 2021 non-growth-plant
18 additions that have been examined and verified by DOE's Audit Staff.
- 19 2) The Step Adjustment revenue requirement calculation should reflect the Commission-
20 approved rate of return in this proceeding.
- 21 3) The Step Adjustment includes amortization for post-test-year projects that were
22 recommended to be removed from the Company's base rate request (Schedule 3.12).

1 DOE used the updated costs provided by the Company⁵⁷ to calculate the amortization
2 expense.⁵⁸

3 4) The Step Adjustment reflects a composite depreciation accrual rate using the Whole
4 Life methodology.

5 The Company-proposed Step Adjustment #1 (effective August 2022) is \$3,137,810.⁵⁹ At this
6 time, subject to adjustment as discussed in items 1–4 above, DOE recommends a Step
7 Increase of \$2,976,844. This amount includes the post-test-year project amortization that was
8 removed from amortization expense. DOE’s recommended Step Increase is provided in
9 Schedule 5.

10

11 **Conclusion**

12 **Q. In conclusion, what is DOE’s recommended increase to base revenue?**

13 A. DOE recommends DOE recommends a base rate increase of no more than \$5,151,887.

14

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

16 Yes.

⁵⁷ NuNH response to Energy 4-38 (Attachment DHM-20) and Energy 4-39 (Attachment DHM-21).

⁵⁸ NuNH response to Energy 4-38 (Attachment DHM-20) and Energy 4-39 (Attachment DHM-21).

⁵⁹ NuNH Schedule CGDN-2.

Professional Experience and Qualifications **Donna H. Mullinax, CPA, CIA**

Summary

Mrs. Mullinax has over forty-two years of financial, management and consulting experience. She is President of Blue Ridge Consulting Services, Inc. Prior to becoming President, she held the position of Vice President and Chief Financial Officer for Blue Ridge and her former employer. She has served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management. She has performed numerous financial, compliance and management audits. She has supported, as well as, provided expert witness testimony in both regulatory and civil proceedings. Mrs. Mullinax has designed and implemented accounting and business systems and developed policy and procedure manuals to support those systems.

Key Qualifications and Selected Professional Experience

Financial, Administration, and Human Resource Management

As Chief Financial Officer and Vice President she was responsible for all aspects of financial, administration, and human resources. Her responsibilities included accounting, cash management, budgeting, tax planning and preparation, fixed assets, human resources, and employee benefits. Records under her control have been subject to an IRS compliance audit with no findings.

Project Management

Mrs. Mullinax has successfully managed numerous projects controlling cost, schedule, and scope. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction contract claims and regulatory proceedings. She has worked with diverse team members and reconciled various viewpoints while maintaining effective working relationships among cross-functional teams.

Financial, Compliance, and Management Auditing

Mrs. Mullinax is a skilled auditor. She has performed numerous financial, compliance, and management audits for governmental entities, businesses, and public utilities. As a CPA and CIA, she is knowledgeable about sound internal control processes and procedures and has made numerous recommendations for modifications to provide reasonable assurance regarding the achievement of objectives related to effectiveness and efficiency of operations; reliability of financial records, and compliance with laws and regulations.

She has also conducted detailed base rates revenue requirements and rider compliance audits. She has analyzed financial information and budget projections, performed risk identification, and evaluated performance against industry benchmarks. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska
 - Application NG-107 Deferred Accounting Order to Record and Preserve Costs Related to the COVID-19 Pandemic, April 2020–August 2020

Project Manager. Led the review of the Company's request for an accounting order

Professional Experience and Qualifications Donna H. Mullinax, CPA, CIA

- Application NG-0095 Effects of Tax Cuts and Jobs Act of 2017 Nebraska Gas Utility Company, LLC and Black Hills Gas Distribution, LLC, March 2018–May 2018

Project Manager. Led the review of the Company’s proposed refund to ratepayers related to the tax-rate change.

- Application NG-0078.1, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, November 2014– February 2015
- Application NG-0078.2, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, October 2015– January 2016
- Application NG-0078.3, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska (formerly SourceGas Distribution LLC), October 2016– December 2016.
- Application NG-0078.4, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2017–December 2017.
- Application NG-0078.5 Extension of the System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, June 2018–December 2018.
- Application NG-0078.6 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2018–December 2018.
- Application NG-0078.7 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2019–December 2019.
- Application NG-112.1 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2021–present.

Project Manager and Lead Auditor. Led the review of the Company’s applications for a system safety and integrity rider for compliance to the Commission directives. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed plant to be placed in service and the verification of planned versus actual plant placed in service for the prior year. Summarized the transactional testing results and calculated the impact to the customer charge.

- Application NG-0072.1, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC May 2014–August 2014.
- Application No. NG-0074, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy, July–November 2013.
- Application No. NG-0072, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC March 2013–May 2013.

Project Manager and Lead Auditor. Led the review of the Company’s applications for an infrastructure system replacement cost recovery charge for compliance to the Nebraska Natural Gas Regulation Act. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of plant work order supporting the requested recovery of utility plant in service. Summarized the transactional testing results and calculated the impact to the customer charge.

- ❖ On behalf of the Staff of the Public Utilities Commission of Ohio (PUCO)
Gas Plant in Service and Capital Spending Prudence Audits

Professional Experience and Qualifications
Donna H. Mullinax, CPA, CIA

Columbia Gas of Ohio

- Case No. 17-2202-GA-ALT, May 2018–October 2018
- Case No. 19-0438-GA-RDR, April 2019–August 2019
- Case No. 20-49-GA-RDR, February 2020–June 2020
- Case No. 21-23-GA-RDR, February 2021–June 2021
- Case No. 22-621-GA-RDR, February 2022–present

Dominion Energy Ohio

- Case No. 19-468-GA-ALT, October 2019–August 2020
- Case No. 21-0619-GA-RDR, April 2021–July 2015

Duke Energy Ohio

- Case No. 19-664-GA-RDR, March 2020–August 2020
- Case No. 21-618-GA-RDR, June 2019–present

Vectren Energy Delivery of Ohio

- Case Nos. 20-0099-GA-RDR and 20-0101-GA-RDR, March 2020–September 2020
- Case No. 21-620-GA-RDR, February 2021–June 2021

Project Manager and Lead Auditor. Led the review to determine if the company has accurately determined and account for its plant in service balance. Also reviewed the necessity, reasonableness, and prudence of the Company's capital expenditures and associated assets and recovery through infrastructure riders

Electric Distribution Infrastructure Rider Compliance Audits

First Energy

- Case No. 11-5428-EL-RDR, November 2011–April 2012
- Case No. 12-2885-EL-RDR, December 2012–July 2013
- Case No. 13-2100-EL-RDR, December 2013–April 2014
- Case No. 14-1929-EL-RDR, December 2014–May 2015
- Case No. 15-1739-EL-RDR, January 2016–July 2016
- Case No. 16-2041-EL-RDR, January 2017–November 2017
- Case No. 17-2009-EL-RDR, December 2017–May 2018
- Case No. 18-1542-EL-RDR, December 2018–April 2019
- Case No. 19-1887-EL-RDR, January 2020–August 2020
- Case No. 20-1629-EL-RDR, December 2020–November 2021
- Case No. 21-1038-EL-RDR, January 2022–present

AEP-Ohio

- Case No. 13-0419-EL-RDR, March–August 2013
- Case No. 16-0021-EL-RDR, March–August 2016
- Case No. 17-0038-EL-RDR, April–November 2017
- Case No. 18-0230-EL-RDR, April 2018–August 2018
- Case No. 20-0169-EL-RDR, May 2020–August 2020
- Case No. 21-0016-EL-RDR, May 2021–September 2021

Dayton Power & Light

- Case No. 15-1830-EL-AIR: Plant in Service Balance Audit of Dayton Power and Light Company, April 2017–August 2018.
- Case No. 19-439-EL-RDR, April 2019–October 2019

Professional Experience and Qualifications

Donna H. Mullinax, CPA, CIA

Project Manager and Lead Auditor. Led the review to ensure the accuracy and reasonableness of the Companies' compliance with its Commission-approved infrastructure cost recovery rider filings. The reviews included a detailed mathematical verification and validation of the support of the riders' revenue requirements model, development of sensitivity analysis that supported the PPS sampling techniques used to isolate specific plant work order for further testing. Summarized the transactional testing results and calculated the impact to the rider's revenue requirements. Detailed variance analyses of historical data with investigations into any significant changes..

- Case No. 08-0072-GA-AIR Columbia Gas of Ohio, April–August 2008
- Case No. 07-0829-GA-AIR Dominion East Ohio, November 2007–July 2008
- Case No. 07-0589-GA-AIR Duke Energy Ohio, November 2007–February 2008

Lead Auditor and assistant project manager. Performed a comprehensive rate case audit of companies' gas rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing.

- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
 - Docket No. DE 16-822 Public Service of New Hampshire d/b/a Eversource Energy. Project Manager and Lead Auditor. Led the review of the Company's revised cash working capital study in its 2017 Energy Service rate calculations. February 2017–May 31, 2017.
- ❖ On behalf of the Massachusetts Department of Public Utilities, Case No. D.P.U. 08-110, regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company (NEGC), February–August 2010. Lead Auditor and Assistant Project Manager. Conducted a management audit on how NEGC manages its accounting and financial reporting functions and whether sufficient controls are in place to ensure that the information included in the company's filings can be reasonably relied upon for setting rates – areas reviewed included general accounting, financial reporting, and internal controls; plant accounting; income tax; accounts receivable; accounts payable; cash management; payroll; cost allocations; and capital structure.
- ❖ On behalf of the Staff of the Connecticut Public Utilities Regulatory Authority (PURA)
 - Management Audit of Yankee Gas Services Company. June 2014–April 3, 2015. Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management and financial operations. Lead auditor for scope areas of accounting and financial reporting, internal audit practices, and capital/O&M budgeting.
 - Diagnostic Management Audit of Connecticut Light and Power Company, July 2008–June 2009, Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management, system operations, financial operations, marketing operations, human resources, customer service, external relations, and

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support services. In addition, supported an in-depth review of the development and implementation process of the company's new customer information system.

- ❖ Before the Oregon Public Utilities Commission (ORPUC), Docket No. UP 205: Examination of NW Natural's Rate Base and Affiliated Interests Issues, Co-sponsored between NW Natural, ORPUC Staff, Northwest Industrial Gas Users, Citizens Utility Board, August 2005-January 2006, Lead Auditor and Assistant Project Manager. Examined NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules, and regulations of the ORPUC and with Company policies.

Partial List of Reports and Publications

- Compliance Audit of the 2019 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 28, 2020
- Audit of the Capital Expenditure Program for the 2019 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. June 17, 2020
- Audit of the Capital Expenditure Program and Infrastructure Replacement Program for Vectren Energy Delivery of Ohio, Inc, June 17, 2020
- Compliance Audit of the 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, June 5, 2020
- Audit of the Plant in-Service and Used and Useful (Rider AU) for Duke Energy Ohio, Inc., July 6, 2020.
- Plant in Service and Capital Spending Audit of the East Ohio Gas Company d/b/a Dominion Energy Ohio, for the Period Covering April 1, 2007 through December 31, 2018, April 27, 2020.
- Review and Recommendation Regarding Black Hills Nebraska Gas, LLC Application for a Deferred Accounting Order (COVID-19 Pandemic) June 1, 2020
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2020 on Behalf of the Nebraska Public Advocate, December 9, 2019
- Compliance Audit of the Distribution Investment Rider (DIR) for the Period Covering October 1, 2015 through January 21, 2019, of The Dayton Power & Light company, September 11, 2019
- Audit of the Capital Expenditure Program for the 2018 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. July 10, 2019
- Compliance Audit of the 2018 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 30, 2019
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2019 on Behalf of the Nebraska Public Advocate, December 7, 2018
- Prudence Audit of Plant in Service and Capital Expenditure Program Spending for Columbia Gas of Ohio, September 3, 2018
- Compliance Audit of the 2017 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 23, 2018

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- Compliance Audit of the 2017 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 11, 2018
- Examination of Black Hills Gas Distribution, LLC Application to Increase Eligible System Safety and Integrity Costs in 2018 on Behalf of the Nebraska Public Advocate, December 11, 2017
- Audit of Plant in Service for Dayton Power & Light's Application to Increase Rates, September 28, 2107
- Compliance Audit of the 2016 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 9, 2017
- Review of Public Service Company of New Hampshire d/b/a Eversource Energy Cash Working Capital and Lead-lag Methodology, May 31, 2017
- Compliance Audit of the 2016 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 1, 2017
- Examination of Black Hills Gas Distribution, LLC Application for Recovery of 2017 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, December 2, 2016
- Compliance Audit of the 2015 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 5, 2016
- Compliance Audit of the 2015 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 22, 2016
- Examination of SourceGas Distribution LLC Application for Recovery of 2015 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, January 8, 2015
- Compliance Audit of the 2014 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 30, 2015
- Management Audit of Yankee Gas Services Company, April 3, 2015
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, June 30, 2014
- Compliance Audit of the 2013 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 9, 2014
- Examination of the Infrastructure System Replacement Cost Recovery Charge of Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, October 4, 2013
- Compliance Audit of the 2012 Distribution Investment Rider (DIR) of Columbus Southern Power and Ohio Power Company d/b/a AEP-Ohio, June 19, 2013
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, May 16, 2013
- Compliance Audit of the 2012 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 22, 2013
- Compliance Audit of the Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 12, 2012
- Revenue Requirements Audit of New England Gas Company, May 12, 2011

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- Accounting and Financial Reporting Review of New England Gas Company, August 5, 2010
- Management Audit of The Connecticut Light & Power Company, May 29, 2009
- Report of Conclusions and Recommendations on the Financial Audit of the Columbia Gas of Ohio, Inc. in Regards to Case No. 08-0074-GA-AIR, August 13, 2008
- Report of Conclusions and Recommendations on the Financial Audit of the East Ohio Gas Company d/b/a Dominion East Company in Regards to Case No. 07-0829-GA-AIR, April 16, 2008
- Report of Conclusions and Recommendations on the Financial Audit of Duke Energy Ohio, Inc. in Regards to Case No. 07-0589-GA-AIR, December 17, 2007
- Report of Conclusions and Recommendations of NW Natural's Rate Base and Affiliated Interest Issues in Support of Oregon Public Utilities Commission Docket UM1148, December 23, 2005

Regulatory and Civil Litigation

She has provided or supported civil or regulatory testimony in Arizona, Colorado, Connecticut, Delaware, Illinois, Maryland, Michigan, Missouri, New Hampshire, New York, North Carolina, North Dakota, Pennsylvania, South Carolina, Texas, and Utah. She has also served as an advisor to public service commissioners in the District of Columbia and Connecticut. In addition to providing analytical support, she has served as an expert witness and routinely works with other highly specialized expert witnesses. She has developed defensible analyses and testimony in connection with rate cases, audit findings, and other regulatory issues. She has also supported various civil litigations including delay and disruption construction claims and financial fraud. She has supported counsel with interrogatories, depositions, and hearings/trials support.

Regulatory Proceedings

- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
 - Docket No. DE 16-384 – Until Energy Systems, Inc. general rate case. Testimony was filed on November 16, 2016. July 2016– January 2017
 - Docket No. DE 16-383 – Liberty Utilities (Granite State Electric) Corp general rate case. Testimony was filed on December 16, 2016. July 2016– January 2017
 - Docket No. DE 19-064 Liberty Utilities (Granite State Electric) Distribution Service Rate Case, May 2019–August 2020
 - Docket No. DE 19-067 Eversource Energy Distribution Service Rate Case, May 2019–December 2020
 - Docket No. DG 20-105 Liberty Utilities (EnergyNorth Electric) Distribution Service Rate Case, October 2020–July 2021
 - Docket No. DE 21-030 Until Energy Systems, Inc., Distribution Service Rate Case, July 2021–present
 - Docket No. DW 20-184 Aquarion Water Company of NH Distribution Service Rate Case, April 2021–present
 - Docket No. DG 21-104 Northern Utilities, Inc. of New Hampshire Distribution Service Rate Case, November 2021–present

Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's

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positions and incorporating recommended adjustments. Supported Staff with Settlement discussions.

- Docket No. DW 18-047 Abenacki Water Company, Inc.
- Docket No. DW 18-054 Aquarion Water Company of NH, Inc.
- Docket No. DW 18-056 Lakes Region Water Company, Inc.

Project Manager and Expert Witness. Led the review and reporting of the Company's tax rate change effect compliance filings following passage of the Tax Cut and Jobs Act of 2017 and changes to state taxes. December 2018–August 2019.

- Docket No. DG 17-0048 – Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities general rate case. June 2017–December 2018.

Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff with Settlement discussions. Also evaluated the Company's calculated Rate Effects on the Federal and State Corporate Tax Reductions provided during Settlement. Testified March 21, 2018.

- Docket No. DG 17-0070 Northern Utilities, Inc. Rate Effects on the Federal and State Corporate Tax Reductions. January 2018– February 2018.

Project Manager. Led the review of the Company's proposed changes in its revenue requirement to reflect the change in federal and state corporate income tax rates. Supported Staff with Settlement discussions.

- ❖ Before the Kentucky Public Service Commission on behalf of the Office of Attorney General, Louisville/Jefferson County Metro Government, and Lexington-Fayette Urban County Government

- Case No. 2018-00294, Kentucky Utilities, October 2018–May 2019.
- Case No. 2018-00295 Louisville Gas and Electric Company, October 2018–May 2019.

Expert Witness testifying to the Company's revenue requirements. Direct Testimony filed January 16, 2019.

- ❖ Before the Pennsylvania Public Utility Commission on behalf of the Office of Consumer Advocate

- Docket No. R-2018-3000019, The York Water Company, May 2018–November 2018. Expert Witness testifying to the Company's revenue requirements. Direct Testimony filed August 23, 2018. Surrebuttal Testimony filed October 4, 2018.

- ❖ Before the Massachusetts Department of Public Utilities on behalf of the Massachusetts Attorney General Office

- D.P.U. 16-106, Fitchburg Gas and Electric Light Company d/b/a Unitil. January 2017– May 2017. Expert Witness reviewing the Company's Capital Cost Adjustment filing for compliance to the Department's Order.

- ❖ Before the Arizona Corporation Commission (AZCC) on behalf of Staff

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- Docket No. E-01933A-19-0028, Tucson Electric Power Company, general rate case January 2019–August 2020. Project Manager and Expert Witness. Led the review of the Company’s proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company’s positions and incorporating recommended adjustments. Testimony was filed on October 21, 2019 and December 16, 2019.
 - Docket No. E-01933A-15-0322, Phase I, Tucson Electric Power Company, general rate case January 2016–August 2016. Project Manager and Expert Witness. Led the review of the Company’s proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company’s positions and incorporating recommended adjustments. Testimony was filed on June 3, 2016. Supported Staff during Settlement of revenue requirements. Agreement filed with Commission August 15, 2016.
 - Docket No. E-04204A-15-0142, UNS Electric, Inc. general rate case August 2015–January 2017. Project Manager and Expert Witness. Led the review of the Company’s proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company’s positions and incorporating recommended adjustments. Direct Testimony was filed on November 6, 2016. Surrebuttal Testimony was filed February 23, 2016.
- ❖ Before the Connecticut Public Utilities Regulatory Authority
- Docket No. 18-05-10 Yankee Gas Services Company d/b/a Eversource Energy general rate case July 2018– February 2019
 - Docket No. 18-05-16 Connecticut Natural Gas Corporation (CNG) general rate case July 2018– February 2019
- Project Manager supporting a team of experts assisting Staff in its regulatory oversight of Yankee Gas and CNG with a focus on revenue forecasting, rate mechanisms, and rate design; depreciation; rate base analysis; cash working capital; and environmental remediation. Team developed interrogatories, summarized parties positions, and developed questions for cross examination.
- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska
- Application NG-0109 Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, June 2020–January 2021. Project Manager and Expert Witness. Led the review of the Company’s proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company’s positions and incorporating recommended adjustments.
 - Application NG-0093, Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, September 2017–March 2018. Project Manager and Expert Witness. Led the evaluation of the Company’s request for approval of accounting and regulatory

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treatment related to a regulatory asset comprised of increased location costs with the ALLO Fiber Optics Project. Testimony filed on December 18, 2017.

- Application NG-0090, Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, December 2016–August 2017. Project Manager and Expert Witness. Led the evaluation of the Company’s Farm Tap Safety Proposal. Testimony filed on March 17, 2017. Supported the Public Advocate during Settlement discussions.
 - Application NG-0088, SourceGas Distribution LLC, December 2015–March 2016. Project Manager and Expert Witness. Led the evaluation of the company’s request for regulatory asset treatment related to net buyout costs of gas-supply-related contracts. Testimony filed on February 24, 2016. Supported the Public Advocate during Settlement discussions
 - Application NG-0084, Black Hills Holdings, Inc. acquisition of SourceGas Holdings, LLC, October 2015–December 2015. Project Manager and Expert Witness. Led the analysis of the impact of the proposed acquisition on whether it would be consistent with the public interest and not adversely affect the utility’s ability to service its ratepayers. Testimony was filed on November 6, 2015.
 - Application NG-0078, SourceGas Distribution, LLC May 2014–November 2014. Project Manager, Lead Auditor, and Expert Witness. Led the review of the Companies’ applications to replace its infrastructure system replacement (ISR) cost recovery charge with a prospective System Safety and Integrity Rider (SSIR). The SSIR was subject to a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed projects supporting the requested recovery of utility plant in service. Testimony on the analysis was filed in August 2014.
- ❖ On behalf of the Commissioners and Staff of the District of Columbia Public Service Commission (DCPSC)
- Formal Case No. 1162 Washington Gas Light Company (WGL) base gas rates case, July 2020–November 2011
 - Formal Case No. 1156 Potomac Electric Power Company (Pepco) base electric rate case, December 2019–present
 - Formal Case No. 1151 Washington Gas Light Company’s Application for Approval of Reduction of Distribution Rates to Reflect the Tax Cuts and Jobs Act of 2017 March 2018–July 2018
 - Formal Case No. 1150/FC1151 Pepco base electric rate case, March 2018–November 2018. (includes rate impact associated with Tax-Change Effect)
 - Formal Case No. 1139 Pepco base electric rates case, October 2016–November 2017.
 - Formal Case No. 1137 Washington Gas Light Company (WGL) base gas rates case, May 2016–March 2017.
 - Formal Case No. 1103 Potomac Electric Power Company (Pepco) base electric rate case, June 2013–August 2014. Project Manager.
 - Formal Case No. 1093 Washington Gas Light Company (WGL) base gas rates case, July 2011–July 2013. Project Manager.
 - Formal Case No. 1087 Pepco base electric rates case, September 2011–December 2012

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- Formal Case No. 1076 Pepco base electric rates case, July 2009–December 2009
- Formal Case No. 1053 Pepco base electric rates case, February 2007–June 2008
Lead Consultant advising Commissioners and Staff of the Office of Technical and Regulatory Analysis regarding Companies’ proposed rate base, net operating income and revenue requirements. Assessed the companies’ and Intervenor’s positions on various issues and provided defensible recommendations for the Commissioners’ consideration. Developed “what if” revenue requirement model used during Commission deliberations to analyze the impact of various adjustments. Supported the drafting of the Commission’s Order and supplied the revenue requirement schedules to support the final decision. Supported the Commissioners’ legal team in addressing motions for reconsideration.
- Formal Case No. 1032 Pepco base electric rates case, January–March 2005.
Senior Technical Consultant and Assistant Project Manager. Reviewed and evaluated Company’s compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.
- Formal Case No. 1016 WGL natural gas base rates case, June–December 2003. Senior Technical Consultant and Project Manager. Analyzed and recommended adjustments regarding the company’s proposed increase to base rates – advised the Commission on party positions during deliberations Review and evaluation of company’s depreciation study filed with the Commission.
- ❖ Before the Missouri Public Service Commission, Case No. HR-2011-0241, on behalf of the City of Kansas City: Veolia Energy Company 2011 and 2012 electric base rates case, July–September 2011. Senior Technical Consultant. Analyzed Company’s proposed net operating income, rate base, and revenue requirements. Supported testifying witness with drafted testimony and development of a model to calculate an alternative revenue requirement incorporating recommended adjustments.
- ❖ Before the North Dakota Public Service Commission, Case No. PU-10-657/PU-11-55: Northern States Power Company (NSP) 2011 and 2012 electric base rates case, April–November 2011. On behalf of the Commission Staff, Lead Consultant and Assistant Project Manager. Led the analysis of NSP’s rate increase filings and supported adjustments for the Commission’s consideration. Developed a model to calculate the appropriate revenue requirements and exhibits to support Staff recommended adjustments.
- ❖ Before the Connecticut Public Utilities Regulatory Authority (PURA), Docket 10-02-13: Aquarion Water Company base rates case, on behalf of the PURA, April–August 2010. Senior Technical Consultant and Assistant Project Manager. Reviewed the expense component of the company’s revenue requirement and recommended adjustments for Staff consideration.
- ❖ Before the of the Delaware Public Service Commission on behalf of Staff
 - Docket No. 09-414: Delmarva Power & Light Company (DPL) electric base rates case, September 2009–May 2010. Expert Witness and Assistant Project Manager. Analyzed the company’s rate increase filings and provided testimony offering

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adjustments for the Commission consideration related to the rate base and revenue requirements.

- Docket No. 06-284: DPL's gas base rates case, October 2006–March 2007. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Michigan Public Service Commission (MIPSC) on behalf of the Michigan Attorney General
 - Case No. U-15506: Consumers Energy Company base gas rates case, May–November 2008. Expert Witness and Assistant Project Manager. Analyzed the company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – proceeding was settled through negotiations.
 - Case No U-15244 Detroit Edison electric base rates case, September 2007–October 2008.
 - Case No. U-15245 Consumers Energy Company base gas rates case, July 2007–April 2008.

Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
 - Case No. U-14547 Consumers Energy Company base gas rates case, December 2005–April 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for Commission consideration related to the rate base and revenue requirements.
- ❖ Before the Maryland Public Service Commission (MDPSC)
 - Case No. 9092 Pepco electric base rates case, on behalf of the Staff of the MDPSC, December 2006–June 2007. Expert Witness and Assistant Project manager. Analyzed Company's rate increases filings and provided direct and rebuttal testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
 - Case No. 9062 Chesapeake Utilities Corporation gas base rates case, on Behalf of the Maryland Office of People's Counsel, May 2006–August 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – participated in settlement negotiations that were ultimately accepted by all parties.
- ❖ Before the Illinois Commerce Commission, Case No. 05-0597, on behalf of the Illinois Citizens Utility Board, Cook County State Attorney's Office and City of Chicago, November 2005–May 2006. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Hawaii Public Utilities Commission (HPUC), Docket No. 05-0075: Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated

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Resource Planning and Demand Side Management Framework, On behalf of the Staff of the HPUC, June–November 2005. Senior Technical Consultant and Assistant Project Manager. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.

- ❖ Before the Public Utilities Commission of the State of Colorado (COPUC), Docket No. 04A-050E: Review of the Electric Commodity Trading Operations of Public Service Company of Colorado (PSCo), On behalf of the COPUC Staff, March–September 2004. Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo’s electric commodity trading operations and submitted testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion of the significance of the findings.
- ❖ Before the New York Public Service Commission, Case No. 00-E-0612: Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.’s Indian Point No. 2 Nuclear Generation Facility, On behalf of Consolidated Edison Company of New York, Inc., October 2000–September 2003. Project Manager. Supervised cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.

Civil Litigation

- ❖ ADF Construction vs. Kismet, On Behalf of ADF Construction, December 2003–February 2004. Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages.
- ❖ On behalf of New Carolina Construction, July 2002–January 2003
 - New Carolina Construction vs. Atlantic Coast
 - New Carolina Construction vs. Acousti

Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ State of Nevada Bureau of Consumer Protection, September-December 2003. Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.
- ❖ Oakwood Homes, On behalf of Oakwood Homes, February 1999–May 2000. Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.
- ❖ McMillan Carter, On behalf of McMillan Carter, June–September 2002. Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.

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- ❖ Fluor Daniel Inc. vs. Solutia, Inc., On behalf of Fluor Daniel, May 2000–August 2001. Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.
- ❖ First National Bank of South Carolina vs. Pappas, On Behalf of First National Bank of South Carolina, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.
- ❖ First Union vs. Pappas, On Behalf of First Union, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

Testimony proffered

Before the Arizona Corporation Commission

- UNS Electric, Inc. – Docket No. E-04204A-15-0142
- Tucson Electric Power Company–Docket No. E-01933A-15-0239
- Tucson Electric Power Company–Docket No. E-01933A-19-0028

Before the Colorado Public Utilities Commission

- Public Service Company of Colorado–Docket No. 04A-050E

Before the Delaware Public Service Commission

- Delmarva Power & Light Company–Docket No. 09-414

Before the Kentucky Public Service Commission

- Kentucky Utilities Company–Case No. 2018-00294
- Louisville Gas and Electric Company–Case No. 2018-00295

Before the Maryland Public Service Commission

- Chesapeake Utilities Corporation–Case No. 9062
- Potomac Electric Power Company–Case No. 9092

Before the Michigan Public Service Commission

- Consumers Energy Company–Case No. U-14547
- Consumers Energy Company–Case No. U-15506

Before the Pennsylvania Public Service Commission

- The York Water Company - Docket No. R-018-3000019

Before the Public Service Commission of Nebraska

- SourceGas Distribution LLC –Docket No. NG-0078
- Black Hills Utility Holdings, Inc. and Source Gas Holdings Inc.–Docket No. NG-0084
- SourceGas Distribution LLC–Docket No. NG-0088
- Black Hills Energy–Docket No. NG-0090
- Black Hills Energy–Docket No. NG-109

Before the New Hampshire Public Utilities Commission

- Unitil Energy Systems, Inc.–Docket No. DE 16-384
- Liberty Utilities (Granite State Electric) Corp.–Docket No. DE 16-383
- Liberty Utilities (EnergyNorth Natural Gas) Corp.–Docket No. DG 17-0048
- Liberty Utilities (Granite State Electric)–Docket No. DE 19-064

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- Eversource Energy–Docket No. DE 19-057
- EnergyNorth–Systems, Inc.–Docket No. DE 21-030
- Aquarion Water Company of New Hampshire–Docket No. DW 20-184

System Implementation

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

Professional Experience

Blue Ridge Consulting Services, Inc.: 2004 - Present

President

Vice President and Chief Financial Officer

Senior Technical Consultant / Expert Witness

Hawks, Giffels & Pullin, Inc.: 1993 - 2004

Vice President and Chief Financial Officer

Executive Consultant

Controller

Cherry, Bekaert & Holland, CPAs: 1991 - 1993

Accounting Supervisor

Senior Accountant

Staff Accountant

Smith, Kline and French Pharmaceutical Company: 1988 - 1991

Professional Sales Representative

Milliken & Company: 1979 - 1988

Quality Assurance Manager

Technical Cause Analyst

Department Manager

Professional Certification

Certified Public Accountant (CPA), State of South Carolina - 1993

Certified Financial Planner (CFP) - 1994, Retired 2021

Certified Internal Auditor (CIA) - 2006

Chartered Global Management Account (CGMA) - 2012

Professional Affiliations

Member of the American Institute of Certified Public Accountants (AICPA)

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

Member of the Institute of Internal Auditors (IIA)

Member of the Western Carolinas Chapter of the Institute of Internal Auditors (WCIIA)

Education

Clemson University, B.S. Administrative Management with honors, 1978

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Clemson University, M.S. in Management, 1979
College for Financial Planning, 1994
NARUC Utility Rate School, 32nd Annual Eastern

Updated March 30, 2022

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-104

Northern Utilities, Inc.

List of Schedules

Line #	Schedule #	Description
1	Schedule 1	Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency
2	Schedule 1.1	Revenue Requirements and Revenue Deficiency with Recommended Adjustments
3	Schedule 1.2	Computation of Gross Up for Income Taxes
4	Schedule 2	Rate of Return Calculation
5	Schedule 2.1	Impact of Recommended Rate of Return on Company's Revenue Deficiency
6	Schedule 3	Ratemaking Adjustments
7	Schedule 3.1	Adjustment 1 Adjust Cash Working Capital Lead/Lag Days and Reflection of Expense Adjustments
8	Schedule 3.2	Adjustment 2 Eliminate Inflation Allowance for Residual O&M Expenses
9	Schedule 3.3	Adjustment 3 Eliminate 2022 Wage and Salary Increase
10	Schedule 3.4	Adjustment 4 Eliminate Increase to 401(k) Associated with 2022 Wage and Salary Increase
11	Schedule 3.5	Adjustment 5 Eliminate Restricted Stock Plan Awards
12	Schedule 3.6	Adjustment 6 Eliminate EPS Component of Incentive Compensation
13	Schedule 3.7	Adjustment 7 Eliminate SERP
14	Schedule 3.8	Adjustment 8 Eliminate Company Contribution to Non-Qualified Deferred Comp
15	Schedule 3.9	Adjustment 9 Sharing of Directors and Officers Liability Insurance
16	Schedule 3.10	Adjustment 10 Convert to Whole Life Depreciation Methodology
17	Schedule 3.11	Adjustment 11 Amortization of Theoretical Depreciation Reserve Imbalance
18	Schedule 3.12	Adjustment 12 Remove Post-Test-Year Project Amortization
19	Schedule 3.13	Adjustment 13 True-Up Payroll Taxes for Other Adjustments
20	Schedule 3.14	Adjustment 14 Update Distribution Bad Debt for Revenue Change
21	Schedule 3.15	Adjustment 15 Interest Synchronization
22	Schedule 4	Property Tax Base for Property Tax Recovery Mechanism (PTAM)
23	Schedule 5	Step Adjustment

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-104
Schedule 1

Northern Utilities, Inc.

Twelve Months Ending December 31, 2020

Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency

<u>Line</u>	<u>Description</u>	<u>Company Application (A)</u>	<u>Company 2/22/22 Update (B)</u>	<u>Recommended (C)</u>	<u>Difference (D)</u>
1	Rate Base	\$ 188,719,257	\$ 188,738,118	\$ 187,685,611	\$ (1,052,507)
2	Rate of Return	7.75%	7.75%	6.92%	-0.83%
3	Return Requirement	14,621,110	14,622,572	12,978,460	(1,644,112)
4	Adjusted Net Operating Income	8,946,016	8,814,586	9,221,859	407,273
5	Deficiency	5,675,094	5,807,986	3,756,601	(2,051,385)
6	Income Tax Effect	2,107,856	2,157,216	1,395,285	(761,930)
7	Revenue Deficiency	<u>\$ 7,782,950</u>	<u>\$ 7,965,202</u>	<u>\$ 5,151,887</u>	<u>\$ (2,813,315)</u>
8	Percent of Original Request			64.68%	-35.32%

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Northern Utilities, Inc.

Twelve Months Ending December 31, 2020

Revenue Requirements and Revenue Deficiency with Recommended Adjustments

Line	Description	Company Application (A)	Company 2/22/22 Update (B)	Adjustments (C)	Total (D)
1	Rate Base				
2	Utility Plant in Service	\$ 301,245,498	\$ 301,245,498	\$ (435,397)	\$ 300,810,101
3	Reserve for Depreciation	(89,373,452)	(89,373,452)	-	(89,373,452)
4	Net Utility Plant	211,872,045	211,872,045	(435,397)	211,436,649
5	M&S Inventories	2,773,457	2,773,457	-	2,773,457
6	Prepayments	64,895	64,895	-	64,895
7	Cash Working Capital	2,008,385	2,027,246	(617,110)	1,410,136
8	Net Deferred Income Taxes	(21,177,756)	(21,177,756)	-	(21,177,756)
9	Excess Deferred Income Taxes	(6,572,092)	(6,572,092)	-	(6,572,092)
10	Customer Advances	-	-	-	-
11	Customer Deposits	(249,677)	(249,677)	-	(249,677)
12	Total Rate Base	\$ 188,719,257	\$ 188,738,118	\$ (1,052,507)	\$ 187,685,611
13	Rate of Return	7.75%	7.75%		6.92%
14	Return Requirement	\$ 14,621,110	\$ 14,622,572	\$ (1,644,112)	\$ 12,978,460
15	Operating Revenues				
16	Distribution Revenue	\$ 42,052,544	\$ 42,052,544	\$ -	\$ 42,052,544
17	Other Operating Revenue	1,147,705	1,147,705	-	1,147,705
18	Total Operating Revenues	\$ 43,200,249	\$ 43,200,249	\$ -	\$ 43,200,249
19	Operating Expenses				
20	Production	525,927	525,927	\$ -	\$ 525,927
21	Transmission	63,829	63,829	-	63,829
22	Distribution	4,287,819	4,295,579	(459,950)	3,835,629
23	Customer Accounting	2,591,817	2,593,120	(20,106)	2,573,014
24	Customer Service	73,074	73,074	-	73,074
25	Sales Expense	69,178	69,178	-	69,178
26	Administrative & General	7,454,197	7,459,173	(894,971)	6,564,202
27	Depreciation	11,231,438	11,231,438	1,084,875	12,316,313
28	Amortization	698,046	688,357	(157,739)	530,618
29	Taxes Other Than Income	5,623,385	5,799,447	(34,987)	5,764,460
30	Federal Income Taxes	(485,546)	(520,601)	54,109	(466,492)
31	State Income Taxes	(1,380,631)	(1,394,556)	21,497	(1,373,059)
32	Deferred Federal & State Income Taxes	3,492,441	3,492,441	-	3,492,441
33	Interest on Customer Deposits	9,258	9,258	-	9,258
34	Total Operating Expenses	\$ 34,254,233	\$ 34,385,663	\$ (407,273)	\$ 33,978,390
35	Net Operating Income	\$ 8,946,016	\$ 8,814,586	\$ 407,273	\$ 9,221,859
36	Income Deficiency	\$ 5,675,094	\$ 5,807,986	\$ (2,051,385)	\$ 3,756,601
37	Revenue Conversion Factor	1.37142	1.37142	-	1.37142
38	Revenue Deficiency	\$ 7,782,950	\$ 7,965,202	\$ (2,813,315)	\$ 5,151,887
39	Percent of Original Request				65%

Notes and Sources

Column A, Lines 1-12: NuNH Schedule RevReq-5
Column A, Line 13-14: NuNH Schedule RevReq-1
Column A, Lines 15-37: NuNH Schedule RevReq-2
Column B, Lines 1-12: NuNH Schedule RevReq-5 Revised (2/22/22 Update)
Column B, Line 13-14: NuNH Schedule RevReq-1 Revised (2/22/22 Update)
Column B, Lines 15-37: NuNH Schedule RevReq-2 Revised (2/22/22 Update)
Line 13: Schedule 2
Line 37: Schedule 1.1
Column C: Schedule 3

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Northern Utilities, Inc.

Twelve Months Ending December 31, 2020
Computation of Gross Up for Income Taxes

Line	Description	Company Proposed (A)	Adjustments (B)	Total (C)
1	NH Tax Rate	7.70%		7.70%
2	Federal Statutory Tax rate	21.00%		21.00%
3	Federal Effective Tax rate (1-State rate*Federal rate)	19.383%		19.38300%
4	Total Composite Tax rate	27.083%		27.08%
5	Revenue Requirement Gross-Up Factor	72.917%		72.917%
6	Revenue Conversion Factor	1.3714		1.3714

Notes and Sources

Column A: NuNH Schedule RevReq-1-1

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Northern Utilities, Inc.

Schedule 2

Twelve Months Ending December 31, 2020

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Rate of Return Calculation

<u>Line</u>	<u>Description</u>	<u>Capital Structure</u>	<u>Cost %</u>	<u>Weighted Cost %</u>	<u>Tax Factor</u>	<u>Pre-Tax Costs</u>
		(A)	(B)	(C)	(D)	(E)
1	<u>Company Proposed Rate of Return</u>					
2	Common Stock	52.47%	10.30%	5.40%	1.3714	7.41%
3	Preferred Stock Equity	0.00%	0.00%	0.00%	1.0000	0.00%
4	Long-Term Debt	47.53%	4.93%	2.34%	1.0000	2.34%
5	Short-Term Debt	0.00%	1.69%	0.00%	1.0000	0.00%
6	Total	<u>100.00%</u>		7.75%		9.75%
<hr/>						
7	<u>Staff Recommended Rate of Return</u>					
8	Common Stock	50.00%	8.90%	4.45%	1.3714	6.10%
9	Preferred Stock Equity	0.00%	0.00%	0.00%	1.0000	0.00%
10	Long-Term Debt	50.00%	4.93%	2.47%	1.0000	2.47%
11	Short-Term Debt	0.00%	1.69%	0.00%	1.0000	0.00%
12	Total	<u>100.00%</u>		6.92%		8.57%

Notes and Sources

Lines 1–6: NuNH Schedule RevReq 6

Recommended Rate of Return: See Testimony of J. Randall Woolridge

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Northern Utilities, Inc.

Twelve Months Ending December 31, 2020

Impact of Recommended **Rate of Return** on Company's Revenue Deficiency

Line	Description	Company 2/22/22 Update (A)	Adjustments (B)	Total (C)
1	Total Rate Base	\$ 188,738,118		\$ 188,738,118
2	Rate of Return	7.75%	-0.83%	6.92%
3	Return Requirement	\$ 14,622,572	\$ (1,571,331)	\$ 13,051,241
4	Net Operating Income	\$ 8,814,586		\$ 8,814,586
5	Income Deficiency	\$ 5,807,986		\$ 4,236,655
6	Revenue Conversion Factor	1.37142		1.37142
7	Total Revenue Deficiency	<u>\$ 7,965,202</u>	<u>\$ (2,154,958)</u>	<u>\$ 5,810,243</u>
8	Percent of Request			73%

Notes and Sources

Column A: Summary Totals from Schedule 1
Line 2: Schedule 2

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Northern Utilities, Inc.
Twelve Months Ending December 31, 2020
Ratemaking Adjustments

Line	Description	Company 2/22/22 Update (A)	Adjustment 1 (C) Schedule 3.1	Adjustment 2 (D) Schedule 3.2	Adjustment 3 (E) Schedule 3.3	Adjustment 4 (F) Schedule 3.4	Adjustment 5 (I) Schedule 3.5	Adjustment 6 (H) Schedule 3.6	Adjustment 7 (B) Schedule 3.7	Adjustment 8 (C) Schedule 3.8	Adjustment Subtotal (J)	
	Reference Schedule		Schedule 3.1	Schedule 3.2	Schedule 3.3	Schedule 3.4	Schedule 3.5	Schedule 3.6	Schedule 3.7	Schedule 3.8		
1	Rate Base											
2	Utility Plant in Service	\$ 301,245,498					\$ (136,684)	\$ (109,390)	\$ (147,440)	\$ (24,253)	\$ (417,767)	
3	Reserve for Depreciation	(89,373,452)									-	
4	Net Utility Plant	211,872,045	-	-	-	-	(136,684)	(109,390)	(147,440)	(24,253)	(417,767)	
5	M&S Inventories	2,773,457									-	
6	Prepayments	64,895									-	
7	Cash Working Capital	2,027,246	(617,110)								(617,110)	
8	Net Deferred Income Taxes	(21,177,756)									-	
9	Excess Deferred Income Taxes	(6,572,092)									-	
10	Customer Advances	-									-	
11	Customer Deposits	(249,677)									-	
12	Total Rate Base	\$ 188,738,118	\$ (617,110)	\$ -	\$ -	\$ -	\$ (136,684)	\$ (109,390)	\$ (147,440)	\$ (24,253)	\$ (1,034,878)	
13	Rate of Return	7.75%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	
14	Return Requirement	\$ 14,622,572	\$ (42,673)	\$ -	\$ -	\$ -	\$ (9,452)	\$ (7,564)	\$ (10,195)	\$ (1,677)	\$ (71,562)	
15	Operating Revenues											
16	Distribution Revenue	\$ 42,052,544									\$ -	
17	Other Operating Revenue	1,147,705									-	
18	Total Operating Revenues	\$ 43,200,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
19	Operating Expenses											
20	Production	\$ 525,927									\$ -	
21	Transmission	63,829									-	
22	Distribution	4,295,579		(165,684)	(278,442)	(15,824)					(459,950)	
23	Customer Accounting	2,593,120									-	
24	Customer Service	73,074									-	
25	Sales Expense	69,178									-	
26	Administrative & General	7,459,173					(297,095)	(197,930)	(320,475)	(52,717)	(868,217)	
27	Depreciation	11,231,438									-	
28	Amortization	688,357									-	
29	Taxes Other Than Income	5,799,447									-	
30	Federal Income Taxes	(520,601)		32,114	53,971	3,067	57,586	38,365	62,118	10,218	257,439	
31	State Income Taxes	(1,394,556)		12,758	21,440	1,219	22,876	15,241	24,677	4,059	102,270	
32	Deferred Federal & State Income Taxes	3,492,441									-	
33	Interest on Customer Deposits	9,258									-	
34	Total Operating Expenses	\$ 34,385,663	\$ -	\$ (120,812)	\$ (203,031)	\$ (11,538)	\$ (216,633)	\$ (144,324)	\$ (233,680)	\$ (38,440)	\$ (968,458)	
35	Net Operating Income	\$ 8,814,586	\$ -	\$ 120,812	\$ 203,031	\$ 11,538	\$ 216,633	\$ 144,324	\$ 233,680	\$ 38,440	\$ 968,458	
36	Income Deficiency	\$ 5,807,986	\$ (42,673)	\$ (120,812)	\$ (203,031)	\$ (11,538)	\$ (226,085)	\$ (151,888)	\$ (243,875)	\$ (40,117)	\$ (1,040,020)	
37	Revenue Conversion Factor	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	
38	Revenue Deficiency	\$ 7,965,202	\$ (58,523)	\$ (165,684)	\$ (278,441)	\$ (15,824)	\$ (310,058)	\$ (208,303)	\$ (334,456)	\$ (55,017)	\$ (1,426,307)	
39	Percent of Total		0.7%	2.1%	3.5%	0.2%	3.9%	2.6%	4.2%	0.7%		
	Adjustment 1	Adjust Cash Working Capital Lead/Lag Days and Reflection of Expense Adjustments										
	Adjustment 2	Eliminate Inflation Allowance for Residual O&M Expenses										
	Adjustment 3	Eliminate 2022 Wage and Salary Increase										
	Adjustment 4	Eliminate Increase to 401(k) Associated with 2022 Wage and Salary Increase										
	Adjustment 5	Eliminate Restricted Stock Plan Awards										
	Adjustment 6	Eliminate EPS Component of Incentive Compensation										
	Adjustment 7	Eliminate SERP										
	Adjustment 8	Eliminate Company Contribution to Non-Qualified Deferred Comp										

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Northern Utilities, Inc.
Twelve Months Ending December 31, 2020
Ratemaking Adjustments

Line	Description	Carry Forward (A)	Adjustment 9 (D) Schedule 3.9	Adjustment 10 (E) Schedule 3.10	Adjustment 11 (F) Schedule 3.11	Adjustment 12 (G) Schedule 3.12	Adjustment 13 (H) Schedule 3.13	Adjustment 14 (H) Schedule 3.14	Adjustment 15 (H) Schedule 3.15	Adjustment Subtotal (I)	Staff Totals (K)
	Reference Schedule		Schedule 3.9	Schedule 3.10	Schedule 3.11	Schedule 3.12	Schedule 3.13	Schedule 3.14	Schedule 3.15		
1	Rate Base										
2	Utility Plant in Service	\$ (417,767)	\$ (17,629)							\$ (435,397)	\$ 300,810,101
3	Reserve for Depreciation	-								-	(89,373,452)
4	Net Utility Plant	(417,767)	(17,629)	-	-	-	-	-	-	(435,397)	211,436,649
5	M&S Inventories	-								-	2,773,457
6	Prepayments	-								-	64,895
7	Cash Working Capital	(617,110)								(617,110)	1,410,136
8	Net Deferred Income Taxes	-								-	(21,177,756)
9	Excess Deferred Income Taxes	-								-	(6,572,092)
10	Customer Advances	-								-	-
11	Customer Deposits	-								-	(249,677)
12	Total Rate Base	\$ (1,034,878)	\$ (17,629)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,052,507)	\$ 187,685,611
13	Rate of Return	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%	6.92%
14	Return Requirement	\$ (71,562)	\$ (1,219)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (72,781)	\$ 12,978,460
15	Operating Revenues										
16	Distribution Revenue	-								\$ -	42,052,544
17	Other Operating Revenue	-								-	1,147,705
18	Total Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,200,249
19	Operating Expenses										
20	Production	-								\$ -	\$ 525,927
21	Transmission	-								-	63,829
22	Distribution	(459,950)								(459,950)	3,835,629
23	Customer Accounting	-						(20,106)		(20,106)	2,573,014
24	Customer Service	-								-	73,074
25	Sales Expense	-								-	69,178
26	Administrative & General	(868,217)	(26,754)							(894,971)	6,564,202
27	Depreciation	-		(766,983)	1,851,858					1,084,875	12,316,313
28	Amortization	-				(157,739)				(157,739)	530,618
29	Taxes Other Than Income	-					(34,987)			(34,987)	5,764,460
30	Federal Income Taxes	257,439	5,186	148,664	(358,946)	30,575	6,782	3,897	(39,488)	54,109	(466,492)
31	State Income Taxes	102,270	2,060	59,058	(142,593)	12,146	2,694	1,549	(15,687)	21,497	(1,373,059)
32	Deferred Federal & State Income Taxes	-								-	3,492,441
33	Interest on Customer Deposits	-								-	9,258
34	Total Operating Expenses	\$ (968,458)	\$ (19,508)	\$ (559,261)	\$ 1,350,319	\$ (115,018)	\$ (25,511)	\$ (14,660)	\$ (55,175)	\$ (407,273)	\$ 33,978,390
35	Net Operating Income	\$ 968,458	\$ 19,508	\$ 559,261	\$ (1,350,319)	\$ 115,018	\$ 25,511	\$ 14,660	\$ 55,175	\$ 407,273	\$ 9,221,859
36	Income Deficiency	\$ (1,040,020)	\$ (20,727)	\$ (559,261)	\$ 1,350,319	\$ (115,018)	\$ (25,511)	\$ (14,660)	\$ (55,175)	\$ (480,054)	\$ 3,756,601
37	Revenue Conversion Factor	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142
38	Revenue Deficiency	\$ (1,426,307)	\$ (28,426)	\$ (766,983)	\$ 1,851,857	\$ (157,739)	\$ (34,986)	\$ (20,105)	\$ (75,668)	\$ (658,357)	\$ 5,151,887
39	Percent of Total		0.4%	9.6%	-23.2%	2.0%	0.4%	0.3%	0.9%		

Adjustment 9 Sharing of Directors and Officers Liability Insurance
Adjustment 10 Convert to Whole Life Depreciation Methodology
Adjustment 11 Amortization of Theoretical Depreciation Reserve Imbalance
Adjustment 12 Remove Post-Test-Year Project Amortization
Adjustment 13 True-Up Payroll Taxes for Other Adjustments
Adjustment 14 Update Distribution Bad Debt for Revenue Change
Adjustment 15 Interest Synchronization

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Northern Utilities, Inc.

Adjustment 1

Adjust Cash Working Capital Lead/Lag Days and Reflection of Expense Adjustments

<u>Line</u>	<u>Description</u>	<u>Company Proposed</u> <u>(A)</u>	<u>Adjustment</u> <u>(B)</u>	<u>Adjusted Amount</u> <u>(C)</u>
1	O&M Expenses			
2	Production	\$ 525,927	\$ -	\$ 525,927
3	Transmission	63,829	-	63,829
4	Distribution	4,295,579	(459,950)	3,835,629
5	Customer Accounting	2,593,120	(20,106)	2,573,014
6	Customer Service	73,074	-	73,074
7	Sales Expense	69,178	-	69,178
8	Administrative & General	7,459,173	(894,971)	6,564,202
9	Depreciation	-	-	-
10	Amortizations	-	-	-
11	Distribution Bad Debt	(89,463)	(20,106)	(109,569)
12	Non-Distribution Bad Debt	97,468		97,468
13	Test Year Bad Debt Expense (non cash)	(248,010)		(248,010)
14	AMP Implementation Costs	(92,480)		(92,480)
15	Pension Expense	(250,740)		(250,740)
16	PBOP Expense	(204,698)		(204,698)
17	SERP Expense	-		-
14	Total O&M Expense for CWC Calculation	<u>\$ 14,291,958</u>	<u>\$ (1,395,134)</u>	<u>\$ 12,896,824</u>
15	Taxes and Interest Expense			
16	Taxes Other Than Income	\$ 5,799,447	\$ (34,987)	\$ 5,764,460
17	Federal Income Taxes	(520,601)	93,597	(427,004)
18	State Income Taxes	(1,394,556)	37,184	(1,357,372)
19	Interest Synchronization	-	(55,175)	(55,175)
20	Income Tax Effect of Gross Up	<u>2,157,216</u>		<u>2,157,216</u>
21	Total Taxes and Interest Expense	<u>\$ 6,041,506</u>	<u>\$ 40,619</u>	<u>\$ 6,082,125</u>
22	Total O&M Expense and Taxes and Interest	\$ 20,333,464	\$ (1,354,515)	\$ 18,978,949
23	Other O&M Expense Days Lag	36.49	-9.3	27.19
24	Days	<u>366</u>		<u>366</u>
25	Percentage	9.97%		7.43%
26	Impact to Rate Base	<u>\$ 2,027,246</u>	<u>\$ (617,110)</u>	<u>\$ 1,410,136</u>

Notes and Sources

Column A: NuNH Schedule RevReq-5.2, 2/22/22 Update Formula Dissection and NuNH response to Energy
Column B, Lines 1–18: Schedule 3
Column B, Line 11: Schedule 3.16 (Updated Distribution Bad Debt for Revenue Change)
Column B, Lines 17, 18, and 19: See Below
Column C, Line 23: Workpaper

	<u>w/o Int Sync</u>	<u>w/ Int Sync</u>	<u>Int Sync</u>
Federal Income Taxes	93,597	54,109	(39,488)
State Income Taxes	37,184	21,497	(15,687)
			<u>(55,175)</u>
		Check	\$ (55,175)

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Northern Utilities, Inc.

Adjustment 2

Eliminate Inflation Allowance for Residual O&M Expenses

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Other O&M Expense Inflation	\$ 165,684	\$ (165,684)	\$ -
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	\$ (12,758)	\$ 12,758	\$ -
4	Federal Taxable	\$ 152,926		\$ -
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	\$ (32,114)	\$ 32,114	\$ -
7	Total Taxes	\$ (44,872)	\$ 44,872	\$ -
8	Impact to Net Operating Income	\$ (120,812)	\$ 120,812	\$ -

Notes and Sources

Column A, Line 1: NuNH Schedule RevReq-3-15

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Northern Utilities, Inc.

Adjustment 3

Eliminate 2022 Wage and Salary Increase

Line	Description		Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Payroll				
2	NuNH Non-Union		\$ 1,008,093	\$ (31,637)	\$ 976,456
3	NuNH Union		3,748,070	(109,167)	3,638,903
4	USC		6,910,872	(301,392)	6,609,480
5	Total 2022 Payroll Increase		<u>\$ 11,667,034</u>	<u>\$ (442,196)</u>	<u>\$ 11,224,838</u>
6	Payroll Chargeable to Capital				
7	NuNH Non-Union at	46.69%	\$ (470,679)	\$ 14,771	\$ (455,907)
8	NuNH Union at	46.69%	(1,749,974)	50,970	(1,699,004)
9	USC at	32.52%	<u>(2,247,416)</u>	<u>98,013</u>	<u>(2,149,403)</u>
10	Total Payroll Chargeable to Capital		<u>\$ (4,468,067)</u>	<u>\$ 163,754</u>	<u>\$ (4,304,314)</u>
11	Total Payroll Chargeable to O&M Expense		\$ 7,198,966	\$ (278,442)	\$ 6,920,524
12	NH Income Tax		7.70%		7.70%
13	Effect on NH income tax expense		<u>\$ (554,320)</u>	\$ 21,440	<u>\$ (532,880)</u>
14	Federal Taxable		\$ 6,644,646		\$ 6,387,644
15	Federal Income Tax Rate		21%		21%
16	Effect on Federal income tax expense		<u>\$ (1,395,376)</u>	\$ 53,971	<u>\$ (1,341,405)</u>
17	Total Taxes		<u>\$ (1,949,696)</u>	<u>\$ 75,411</u>	<u>\$ (1,874,285)</u>
18	Impact to Net Operating Income		<u>\$ (5,249,270)</u>	<u>\$ 203,031</u>	<u>\$ (5,046,239)</u>

Notes and Sources

Column A, Lines 1-10: NuNH Schedule RevReq-3-4 Revised (2/22/22 Update)
Column B: 2022 Increase, NuNH Schedule RevReq-3-4 Revised (2/22/22 Update), line 6

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Adjustment 4

Eliminate Increase to 401(k) Associated with 2022 Wage and Salary Increase

Line	Description	Company Proposed	Adjustment	Adjusted Amount
		(A)	(B)	(C)
1	<u>NuNH</u>			
2	401(k) Expense	\$ 192,409	\$ (5,695)	\$ 186,714
3	Chargeable to Capital at 48.76%	(93,819)	2,777	(91,042)
4	Chargeable to O&M	\$ 98,590	\$ (2,918)	\$ 95,672
5	<u>USC</u>			
6	401(k) Expense	\$ 432,094	\$ (18,844)	\$ 413,250
7	Chargeable to Capital at 31.51%	(136,153)	5,938	(130,215)
8	Chargeable to O&M	\$ 295,941	\$ (12,906)	\$ 283,035
9	Total NuNH and USC 401(k) Charged to O&M	\$ 394,532	\$ (15,824)	\$ 378,707
10	NH Income Tax	7.70%		7.70%
11	Effect on NH income tax expense	\$ (30,379)	\$ 1,219	\$ (29,160)
12	Federal Taxable	\$ 364,153		\$ 349,547
13	Federal Income Tax Rate	21%		21%
14	Effect on Federal income tax expense	\$ (76,472)	\$ 3,067	\$ (73,405)
15	Total Taxes	\$ (106,851)	\$ 4,286	\$ (102,565)
16	Impact to Net Operating Income	\$ (287,681)	\$ 11,538	\$ (276,142)

Notes and Sources

Column A, Lines 1-8: NuNH Schedule RevReq-3-7 Revised (2/22/22 Update) and NuNH Workpaper 4.4 Revised (2/22/22 Update)
Column B: 2022 Increase, NuNH Workpaper 4.4 Revised (2/22/22 Update), lines 2 and 7

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Northern Utilities, Inc.

Adjustment 5

Eliminate Restricted Stock Plan Awards

Line	Description	Company Proposed (A)	Adjusted Amount (C)
1	Restricted Stock–O&M	\$ 297,095	\$ -
2	NH Income Tax	7.70%	7.70%
3	Effect on NH income tax expense	\$ (22,876)	\$ -
4	Federal Taxable	\$ 274,219	\$ -
5	Federal Income Tax Rate	21%	21%
6	Effect on Federal income tax expense	\$ (57,586)	\$ -
7	Total Taxes	\$ (80,462)	\$ -
8	Impact to Net Operating Income	\$ (216,633)	\$ -
9	Restricted Stock–Capitalized	\$ 136,684	\$ -
10	Impact to Rate Base	\$ 136,684	\$ -

Notes and Sources

Line 1: Energy 4-16, Attachment 3

Charged to NuNH through USC billing process. Not included in test year payroll amounts or adjusted for annual payroll increase

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Adjustment 6

Eliminate EPS Component of Incentive Compensation

Line	Description	Company Proposed		Adjustment		Adjusted Amount (C)	
		(A)	(B)	(B)	(C)		
		Increase	Allocation	Disallow			
1	Total Incentive Comp						
2	Test Year Unutil Mgmt Incentive Compensation Charged			\$ 206,833	40%	(82,733)	124,100
3	2021 Increase on Unutil Mgmt Incentive Comp included in Test Year	4.40%		9,101	40%	(3,640)	5,460
4	Total Unutil Mgmt Incentive Comp with 2021 Increase			\$ 215,934		\$ (86,373)	129,560
5	Test Year USC Corp Incentive Compensation Charged			\$ 481,737	40%	(192,695)	289,042
6	2021 Increase on USC Corp Incentive Comp included in Test Year	4.40%		21,196	40%	(8,479)	12,718
7	Total USC Corp Incentive Comp with 2021 Increase			\$ 502,933		\$ (201,173)	301,760
8	Test Year NuNH Incentive Compensation Charged to NuNH			\$ 58,992	40%	(23,597)	35,395
9	2021 Increase on NuNH Incentive Comp included in Test Year	3.12%		1,841	40%	(736)	1,104
10	Total NuNH Incentive Comp with 2021 Increase			\$ 60,833		\$ (24,333)	36,500
11	Total Incentive Comp			\$ 779,700		\$ (311,880)	\$ 467,820
12	Allocated to O&M						
13	Total Unutil Mgmt Incentive Comp with 2021 Increase (O&M)		67.48%	145,712		(58,285)	87,427
14	Total USC Corp Incentive Comp with 2021 Increase (O&M)		67.48%	339,379		(135,752)	203,628
15	Total NuNH Incentive Comp with 2021 Increase (O&M)		16.00%	9,733		(3,893)	5,840
16	Total Incentive Comp (O&M)			\$ 494,825		\$ (197,930)	\$ 296,895
17	NH Income Tax			7.70%			7.70%
18	Effect on NH income tax expense			\$ (38,102)		\$ 15,241	\$ (22,861)
19	Federal Taxable			\$ 456,723			\$ 274,034
20	Federal Income Tax Rate			21%			21%
21	Effect on Federal income tax expense			\$ (95,912)		\$ 38,365	\$ (57,547)
22	Total Taxes			\$ (134,014)		\$ 53,606	\$ (80,408)
23	Impact to Net Operating Income			\$ (360,811)		\$ 144,324	\$ (216,487)
24	Allocated to Capital						
25	Total Unutil Mgmt Incentive Comp without 2021 Increase (Capital)		32.52%	\$ 67,262		\$ (26,905)	\$ 40,357
26	Total USC Corp Incentive Comp without 2021 Increase (Capital)		32.52%	156,661		(62,664)	93,997
27	Total NuNH Incentive Comp without 2021 Increase (Capital)		84.00%	49,553		(19,821)	29,732
28	Total Incentive Comp (Capital)			\$ 273,476		\$ (109,390)	\$ 164,086
29	Impact to Rate Base			\$ 273,476		\$ (109,390)	\$ 164,086

Notes and Sources

Column A, lines 2, 5, and 8: NuNH response to Energy 4-14, Attachment 4
Line 3, 6, and 9: 2021 Increase NuNH Schedule RevReq-3-4 Revised (Update 2/22/22), page 1 of 2, footnote (2)
Column B: Disallowed amount due to shareholder focused goals
Lines 13, 14, and 15: 100% - Capitalization Rate on Lines 25, 26, and 27
Lines 25-27: Capitalization Rate - NuNH response to Energy 4-14, Attachment 4
Lines 25-27: Adjustment to Rate Base only includes Test Year amount. 2021 payroll increase was not reflected in a Rate Base Adjustment by UES

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Northern Utilities, Inc.
Adjustment 7
Eliminate SERP

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	SERP-USC	\$ 320,475	\$ (320,475)	\$ -
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	\$ (24,677)	\$ 24,677	\$ -
4	Federal Taxable	\$ 295,798		\$ -
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	\$ (62,118)	\$ 62,118	\$ -
7	Total Taxes	\$ (86,795)	\$ 86,795	\$ -
8	Impact to Net Operating Income	\$ (233,680)	\$ 233,680	\$ -
9	SERP Allocated to Capital	\$ 147,440	\$ (147,440)	\$ -
10	Impact to Rate Base	\$ 147,440	\$ (147,440)	\$ -

Notes and Sources

Line 1 and 9: NuNH Schedule RevReq-3-7 Revised (2/22/22 Update) and NuNH Workpaper 4.3

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Northern Utilities, Inc.

Adjustment 8

Eliminate Company Contribution to Non-Qualified Deferred Comp

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Deferred Compensation-USC	\$ 52,717	\$ (52,717)	\$ -
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	\$ (4,059)	\$ 4,059	\$ -
4	Federal Taxable	\$ 48,658		\$ -
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	\$ (10,218)	\$ 10,218	\$ -
7	Total Taxes	\$ (14,277)	\$ 14,277	\$ -
8	Impact to Net Operating Income	\$ (38,440)	\$ 38,440	\$ -
9	Deferred Compensation Allocated to Capital	\$ 24,253	\$ (24,253)	\$ -
10	Impact to Rate Base	\$ 24,253	\$ (24,253)	\$ -

Notes and Sources

Line 1 and 9: NuNH Schedule RevReq-3-7, 2/22/22 Update and NuNH Workpaper 4.6

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Northern Utilities, Inc.

Adjustment 9

Sharing of Directors and Officers Liability Insurance

Line	Description	Company Proposed	Adjustment	Adjusted Amount
		(A)	(B)	(C)
1	Directors and Officers-NuNH	69,096	(34,548)	34,548
2	Charged to Capital at 48.76%	(33,691)	16,846	(16,846)
3	Charged to O&M	35,405	(17,702)	17,702
4	Directors and Officers-USC	24,644	(12,322)	12,322
5	Directors and Officers-USC allocated to NuNH at 20.18%	(4,973)	2,487	(2,487)
6	Charged to Capital at 31.51%	(1,567)	784	(784)
7	Charged to O&M	18,104	(9,052)	9,052
8	Director and Officers Charged to O&M	\$ 53,509	\$ (26,754)	\$ 26,754
9	NH Income Tax 7.70%	7.70%		7.70%
10	Effect on NH income tax expense	\$ (4,120)	\$ 2,060	\$ (2,060)
11	Federal Taxable	\$ 49,389		\$ 24,694
12	Federal Income Tax Rate 21%	21%		21%
13	Effect on Federal income tax expense	\$ (10,372)	\$ 5,186	\$ (5,186)
14	Total Taxes	\$ (14,492)	\$ 7,246	\$ (7,246)
15	Impact to Operating Income	\$ (39,017)	\$ 19,508	\$ (19,508)
16	Director and Officers Charged to Capital	\$ 35,258	\$ (17,629)	\$ 17,629
17	Impact to Rate Base	\$ 35,258	\$ (17,629)	\$ 17,629

Notes and Sources

Column A, Lines 1-7: 2021 Premiums, NuNH Workpapers 5.1 Revise and 5.2 Revised (2/22/22 Update)

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Adjustment 10

Convert to Whole Life Depreciation Methodology

<u>Line</u>	<u>Description</u>	<u>Company Proposed (A)</u>	<u>Adjustment (B)</u>	<u>Adjusted Amount (C)</u>
1	Depreciation Expense-Remaining Life	\$ 11,193,573	\$ (11,193,573)	\$ -
2	Depreciation Expense-Whole Life	-	10,426,590	10,426,590
3	Total Depreciation	\$ 11,193,573	\$ (766,983)	\$ 10,426,590
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	<u>\$ (861,905)</u>	\$ 59,058	<u>\$ (802,847)</u>
6	Federal Taxable	\$ 10,331,668		\$ 9,623,743
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	<u>\$ (2,169,650)</u>	\$ 148,664	<u>\$ (2,020,986)</u>
9	Total Taxes	<u>\$ (3,031,555)</u>	<u>\$ 207,722</u>	<u>\$ (2,823,833)</u>
10	Impact to Net Operating Income	<u>\$ (8,162,018)</u>	<u>\$ 559,261</u>	<u>\$ (7,602,757)</u>

Notes and Sources

Line 1: NuNH Schedule RevReq-3-16
Line 2: Energy 4-36, Attachment 2 and Energy TS 1-12

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Northern Utilities, Inc.

Adjustment 11

Amortization of Theoretical Depreciation Reserve Imbalance

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Depreciation Reserve Imbalance			
2	Total Depreciable Plant	\$ -	\$ 18,518,579	\$ 18,518,579
3	Recovery Period	-	10	10
4	Annual Recovery	-	1,851,858	1,851,858
8	Total Depreciation	\$ -	\$ 1,851,858	\$ 1,851,858
9				
10	NH Income Tax	7.70%		7.70%
11	Effect on NH income tax expense	<u>\$ -</u>	<u>\$ (142,593)</u>	<u>\$ (142,593)</u>
12	Federal Taxable	\$ -		\$ 1,709,265
13	Federal Income Tax Rate	21%		21%
14	Effect on Federal income tax expense	<u>\$ -</u>	<u>\$ (358,946)</u>	<u>\$ (358,946)</u>
15	Total Taxes	<u>\$ -</u>	<u>\$ (501,539)</u>	<u>\$ (501,539)</u>
16	Impact to Net Operating Income	<u>\$ -</u>	<u>\$ (1,350,319)</u>	<u>\$ (1,350,319)</u>

Notes and Sources

Line 2: Energy 4-36, Attachment 1 and Energy TS 1-12

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Northern Utilities, Inc.

Adjustment 12

Remove Post-Test-Year Project Amortization

Line	Description	Company Proposed	Adjustment	Adjusted Amount
		(A)	(B)	(C)
1	NuNH Amortization	\$ 657,774	\$ (128,409)	\$ 529,365
2	USC Billed to NuNH	121,006	(29,330)	91,676
3	Amortization Expense	\$ 778,780	\$ (157,739)	\$ 621,041
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (59,966)	\$ 12,146	\$ (47,820)
6	Federal Taxable	\$ 718,814		\$ 573,221
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (150,951)	\$ 30,575	\$ (120,376)
9	Total Taxes	\$ (210,917)	\$ 42,721	\$ (168,196)
10	Impact to Net Operating Income	\$ (567,863)	\$ 115,018	\$ (452,845)

Notes and Sources

Column A, Lines 1 and 2: UES Schedule RevReq-3-17 Revised (updated 2/22/22)
Column B: Amortization Workpaper

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Adjustment 12

Adjust Amortization based on In-Service Workpaper

Line	Description	As Filed		Adjustment	Adjusted Annual Amortization Expense	In-Service Date	Comment
		Total Project Costs (A)	Annual Amortization Expense (B)				
USC Amortization Billed to NuNH:							
1	Powerfax Repair Module	151,418	30,284		30,284		
2	USC Time & Billing Enhancements	58,522	12,108		12,108		
3	PC & Furniture Q32018	574,070	143,517		143,517		
4	Software - Facilities WO&PM Tracking/Reporting	24,953	4,991		4,991		
5	PC & Furniture Q82018	483,288	120,817		120,817		
6	Upgrade C-Series Bottomline Check Printing	7,462	1,492		1,492		
7	ADP Vacation Enhancements	3,437	687		687		
8	General Infrastructure Enhancements	11,887	2,377		2,377		
9	2018 Flexi upgrade	20,241	4,048		4,048		
10	Flexi Report Writer	7,800	1,560		1,560		
11	USC Furn & Equipment - Hamp&CSC	4,335	867		867		
12	IT Control Testing Automation	320,088	64,018		64,018		
13	HR & Payroll Record Scanning	28,917	5,383		5,383		
14	USC 2019 Furniture & PCs	310,711	62,142		62,142		
15	SOX Modernization	75,517	15,103	(15,103)	-	Feb-21	Energy 4-39
16	USC Time & Billing Upgrade/Replacement	625,663	125,133	(125,133)	-	Nov-21	Energy 4-39
17	2020 Flexi Upgrade	25,531	5,106	(5,106)	-	Feb-21	Energy 4-39
18	Total	\$ 2,731,820	\$ 599,635		\$ 454,292		
19	NuNH Apportionment		20.18%		20.18%		
20	Total Billed to NuNH		\$ 121,006	\$ (29,330)	\$ 91,676		
Northern Utilities 303-Intangible Plant:							
1	Power Plant	157,853	15,785		15,785		
2	Power Plan Upgrade	40,449	4,045		4,045		
3	Meter Data Management	1,380,945	138,095		138,095		
4	2019 Voice System Repl	239,694	24,036		24,036		
5	2019 Interface Enhancements	13,177	1,313		1,313		
6	Customer Facing Enhancements	232,484	23,219		23,219		
7	CIS Billing Integration	902,212	69,401		69,401		
8	First Responder - iRestore	65,700	13,140		13,140		
9	General Software Enhancements	6,443	1,289		1,289		
10	2016 IT Infrastructure	34,149	6,830		6,830		
11	Gas Inspections	11,697	2,340		2,340		
12	CMS 2015 Rewrite	16,438	3,288		3,288		
13	2015 Cyber Security Enhancements	220	44		44		
14	2016 Cyber Security Enhancements	321	64		64		
15	Unify Workforce Management System	8,991	1,798		1,798		
16	2016 General Software Enhancements	5,054	1,011		1,011		
17	Verotrack Upgrade to myWorld	16,336	3,267		3,267		
18	Iron MVRIS Upgrade	2,295	459		459		
19	New Century Dist Risk Alg. Upgrade	9,709	1,942		1,942		
20	EETS Enhancements	19,095	3,819		3,819		
21	CMS NH/ME Isolation	2,418	484		484		
22	Power Plant Upgrade 2016.1	64,831	12,966		12,966		
23	LocusView GPS/GIS Track & Trace	116,310	23,262		23,262		
24	2017 Cyber Security Enhancements	1,936	387		387		
25	2017 IT Infrastructure	8,746	1,749		1,749		
26	SalesForce for Gas Sales Phase II	46,347	9,269		9,269		
27	Electronic Time Sheet - Phase One	4,890	978		978		
28	2017 General Software Enhancements	9,457	1,891		1,891		
29	UPC/GEM Enhancements	15,822	3,164		3,164		
30	Upgrade to MyWorld Inseption	13,005	2,601		2,601		
31	Meter Data Archiving Plan	2,042	408		408		
32	Sales Force Application	16,656	3,331		3,331		
33	OMS Web Page Upgrade	3,800	760		760		
34	Power Plant License Update	55,120	11,024		11,024		
35	GIS Version Upgrade	52,387	10,477		10,477		
36	IS Project Tracker Replacement	4,980	996		996		
37	Comp Mgmt Sys Enhncmnts	31,938	6,407		6,407		
38	Legacy Interface Job Rewrite	2,749	550		550		
39	Gen. Software Enhancements 2018	13,313	2,673		2,673		
40	TESS Replacement	4,372	874		874		
41	Salesforce App for Gas Sales	16,134	3,227		3,227		
42	UPS Repricing	657	131		131		
43	2018 IT Infrastructure	27,627	5,529		5,529		
44	WebOps Replacement - Year 1 of 3	12,818	2,564		2,564		
45	2018 Cyber Security Enhancements	4,131	826		826		
46	DEV Staging Refresh	5,492	1,098		1,098		
47	Microsoft Exchange Upgrade	2,508	502		502		
48	Electronic Timesheet - Phase 2	14,006	2,801		2,801		
49	CMS Data Reports	1,672	334		334		
50	ODI Plant Records - GIS Recon	2,403	481		481		
51	Metersense Upgrade 4.2 to 4.3	277	55		55		
52	FCS Upgrade	779	157		157		
53	FCS Upgrade	451	90		90		
54	FCS Upgrade	9,038	1,927		1,927		
55	MARS/GEM Enhancements	25,798	5,160		5,160		
56	General Software Enhancements 2019	11,825	2,230		2,230		
57	WebOps Replacement	13,547	2,479		2,479		
58	2019 Reporting Blanket	22,028	4,406		4,406		
59	Infrastructure PC & Network 2019	196,345	39,319		39,319		
60	2019 Regulatory Work Blanket	5,608	1,122		1,122		
61	LocusView Mobile Data Collections	10,880	2,176		2,176		
62	Compliance Mgmt Sys Enhancements	17,992	3,510		3,510		
63	GIS Enhancements	3,998	800		800		
64	Gas SCADA-Historical Database	5,219	1,044		1,044		
65	Pipeline Compliance Syst. Integ.	71,157	14,231		14,231		
66	EE Tracking & Reporting System	36,085	7,217		7,217		
67	MV-90xi Upgrade v 4.5 to 6.0	9,579	1,916		1,916		
68	MV-90 Comm Bank Module	3,327	639		639		
69	Salesforce Gas Sales Reporting	15,227	2,789		2,789		
70	LocusView Paperless Work Flows	26,180	5,236		5,236		
71	FCS Upgrade	25,828	5,362	(5,882)	-	Mar-21	Energy 4-38
72	2020 IT Infrastructure	338,113	64,472	(64,472)	-	Apr-21	Energy 4-38
73	Customer Facing Enhancements	163,139	31,197	(31,197)	-	Apr-21	Energy 4-38
74	Metersense Upgrade 2020	1,549	236		236		
75	2020 Interface Enhancements	32,566	6,222	(6,222)	-	Apr-21	Energy 4-38
76	Regulatory Work Blanket	6,568	1,314		1,314		
77	General Software Enhancements	1,952	383	(383)	-	Apr-21	Energy 4-38
78	2020 Reporting Blanket	25,045	4,707	(4,707)	-	Apr-21	Energy 4-38
79	Cyber Security Enhancements	21,917	4,383		4,383		
80	Powerplan Upgrade	81,136	15,546	(15,546)	-	Apr-21	Energy 4-38
81	Total NuNH Amortization Expense for Account 303	\$ 4,904,784	\$ 657,774	\$ (128,409)	\$ 529,365		
82		\$ 667,579					

Notes and Sources

NuNH Workpaper 7.2 Revised and Workpaper 7.4 Revised (2/22/22 Update)

Line 72: NuNH Workpaper 7.2 Revised does not reflect updated costs of \$827,125 per Energy 4-38

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Northern Utilities, Inc.

Adjustment 13

True-Up Payroll Taxes for Other Adjustments

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Increase in O&M Payroll / Compensation due to Annual Rate Increase	\$ 562,202	\$ -	\$ 562,202
2	DOE Adjustments that Affect Payroll			
3	Eliminate 2022 Wage Increase		\$ (278,442)	\$ (278,442)
4	Eliminate EPS Component of Incentive Compensation		(197,930)	(197,930)
5	Total Other Adjustments Subject to Medicare Tax	\$ 562,202	\$ (476,372)	\$ 85,830
6	Estimated Amount Above Social Security Limit 3.95%	(26,869)	23,475	(3,394)
7	Total Other Adjustments Subject to Social Security	\$ 535,333	\$ (452,897)	\$ 82,436
8	Payroll Taxes			
9	Social Security 6.20%	\$ 33,191	\$ (28,080)	\$ 5,111
10	Medicare 1.45%	8,152	(6,907)	1,245
11	Total Payroll Taxes	\$ 41,343	\$ (34,987)	\$ 6,356
12	NH Income Tax 7.70%			7.70%
13	Effect on NH income tax expense	\$ (3,183)	\$ 2,694	\$ (489)
14	Federal Taxable	\$ 38,160		\$ 5,867
15	Federal Income Tax Rate 21%			21%
16	Effect on Federal income tax expense	\$ (8,014)	\$ 6,782	\$ (1,232)
17	Total Taxes	\$ (11,197)	\$ 9,476	\$ (1,721)
18	Impact to Net Operating Income	\$ (30,146)	\$ 25,511	\$ (4,635)

Notes and Sources

Column A: NuNH Schedule RevReq-3-20, update 2/22/22
Column B, Line 3: Schedule 3.4
Column B, Line 4: Schdeule 3.8
Line 6 Estimated Amount Above Social Security Limit Calculation

	Per Company	Ratio	Weighting	Weighted Ratio
NuNH Schedule RevReq-3-20 Revised (Update 2/22/22)	562,202			
Increase in O&M Payroll/Compensation	562,202			
NuNH in Excess of Taxable Limit	2,564	0.5%	10%	0.04%
USC in Excess of Taxable Limit	24,305	4.3%	90%	3.91%
Weighted Average	26,869			3.95%

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-104
Schedule 3.14
Page 1 of 1

Northern Utilities, Inc.

Adjustment 14

Update Distribution Bad Debt for Revenue Change

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Per Books Delivery Retail Billed Revenue - Calendar Year 2019	\$ 39,254,737		\$ 39,254,737
2	Revenue Increase	7,965,202	(2,813,315)	5,151,887
3	Total Normalized Delivery Retail Billed Revenue	\$ 47,219,939		\$ 44,406,624
4	Calendar Year 2019 Write-Offs as a % of Retail Delivery Billed Revenue	0.71%		0.71%
5	Uncollectible Delivery Revenue	\$ 337,472		\$ 317,366
6	Less: Test Year Bad Debt Expense	248,010		248,010
7	Change in Bad Debt Expense (Customer Accounts)	\$ 89,463	\$ (20,106)	\$ 69,357
8	NH Income Tax	7.70%		7.70%
9	Effect on NH income tax expense	\$ (6,889)	\$ 1,549	\$ (5,340)
10	Federal Taxable	\$ 82,574		\$ 64,017
11	Federal Income Tax Rate	21%		21%
12	Effect on Federal income tax expense	\$ (17,341)	\$ 3,897	\$ (13,444)
13	Total Taxes	\$ (24,230)	\$ 5,446	\$ (18,784)
14	Impact to Operating Income	\$ (65,233)	\$ 14,660	\$ (50,573)

Notes and Sources

Column A, Lines 1-7: NuNH Schedule RevReq-3-5 Revised (2/22/22 Update)
Column B, Line 2: Schedule 1.1

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-104
Schedule 3.15
Page 1 of 1

Northern Utilities, Inc.

Adjustment 15

Interest Synchronization

"Change in Interest Expense Applicable to Income Tax Computation"

Line	Description	Company Proposed (A)	Adjustments (B)	Total (C)
1	Rate Base	\$ 188,738,118	(1,052,507)	187,685,611
2	Interest Component of Rate of Return	2.34%		2.47%
3	Interest Attributable to Rate Base	4,422,728		4,626,450
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	<u>\$ (340,550)</u>	<u>\$ (15,687)</u>	<u>\$ (356,237)</u>
6	Federal Taxable	\$ 4,082,178		\$ 4,270,213
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	<u>\$ (857,257)</u>	<u>\$ (39,488)</u>	<u>\$ (896,745)</u>
9	Total Taxes	<u>\$ (1,197,807)</u>	<u>\$ (55,175)</u>	<u>\$ (1,252,982)</u>
10	Impact to Net Operating Income	<u>\$ 1,197,807</u>	<u>\$ 55,175</u>	<u>\$ 1,252,982</u>
11	Weighted Cost			
12	Long-Term Debt	2.34%		2.47%
13	Short-Term Debt	0.00%		0.00%
14	Interest Component of Rate of Return	<u>2.34%</u>		<u>2.47%</u>

Notes and Sources

Column A, Lines 1-3: NuNH Schedule RevReq-3-21 Revised (2/22/22 Update)

Column B, Line 1: Schedule 1.1

Lines 11-13: Schedule 2

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-104
Schedule 4
Page 1 of 1

Northern Utilities, Inc.

Property Tax Base for Property Tax Recovery Mechanism (PTAM)

<u>Line</u>	<u>Description</u>	<u>Company Proposed</u>	<u>Adjustments</u>	<u>Total</u>
		(A)	(B)	(C)
1	Total Property Taxes	\$ 5,523,332		\$ 5,523,332
2	Less State of NH Property Taxes		\$ (1,370,478)	(1,370,478)
3	Property Tax Base for PTAM	<u>\$ 5,523,332</u>	<u>\$ (1,370,478)</u>	<u>\$ 4,152,854</u>

Notes and Sources

Lines 1–2: NuNH Schedule RevReq-3-19 Revised (2/22/22 Update)

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-104
Schedule 5
Page 1 of 1

Northern Utilities, Inc.
Step Adjustment

Line	Description	Company Proposed (A)	Adjustment (B)	(C)
1	<u>Rate Base:</u>			
2	Utility Plant Additions	\$ 20,770,248		\$ 20,770,248
3	Cost of Removal	2,307,805		2,307,805
4	Capital Expenditures - Non-Growth Plant Additions	23,078,053		23,078,053
5	Accumulated Depreciation	(387,365)	28,040	(359,325)
6	Net Utility Plant	22,690,688		22,718,728
7	Accumulated Deferred Income Taxes (ADIT)	(1,125)	(15,188)	(16,313)
8	Rate Base	<u>\$ 22,689,563</u>	12,852	<u>\$ 22,702,415</u>
9	<u>Revenue Requirement:</u>			
10	Rate Base	\$ 22,689,563	\$ 12,852	\$ 22,702,415
11	Pre-Tax Rate of Return	9.75%	-1.19%	8.57%
12	Return and Related Income Taxes	2,213,321	(268,217)	1,945,104
13	Depreciation Expense	774,730	(56,080)	718,651
14	Property Taxes ⁽¹⁾	149,759	185	149,944
15	PTY Plant Amortization	-	163,145	163,145
16	Revenue Requirement	<u>\$ 3,137,810</u>	\$ (160,966)	<u>\$ 2,976,844</u>
17	<u>Supporting Calculations</u>			
18	<u>Book Depreciation</u>			
19	Utility Plant Additions	\$ 20,770,248		\$ 20,770,248
20	Book Depreciation Rate ⁽²⁾	3.73%	-0.27%	3.46%
21	Book Depreciation	774,730	(56,080)	718,651
22	<u>Tax Depreciation</u>			
23	Utility Plant Additions	20,770,248		20,770,248
24	Tax Depreciation Rate	3.75%		3.75%
25	Tax Depreciation	778,884	-	778,884
26	Tax-Book Timing Difference	4,154		60,234
27	Income Tax Rate	27.08%		27.08%
28	Accumulated Deferred Income Taxes (ADIT)	1,125	15,188	16,313
29	Accumulated Depreciation = Book Depreciation * 0.5	<u>\$ 387,365</u>	(28,040)	<u>\$ 359,325</u>

Notes and Sources

Column A: NuNH Schedule CGDN-2
Column C, Line 11: Schedule 2
Column C, Line 15: Schedule 3.12 WP
Column C, Line 20: Energy 4-36, Attachment 2, line 39

(1) Property Taxes shall include State utility property taxes for all Non-Growth Plant Additions, calculated using the statutory tax rate in RSA 83-F:2, currently \$6.60 per \$1,000 of investment. Local property taxes shall not be included in the calculation and will be recovered through the approved Property Tax Adjustment Mechanism approved in DG 21-123

(2) Book Depreciation Rate Based on the Average Depreciation Rate in Docket No. DG 21-104

February 22, 2022

BY E-MAIL

Daniel Goldner, Chair
New Hampshire Public Utilities Commission
21 S. Fruit St, Suite 10
Concord, N.H. 03301-2429

Re: DG 21-104 Northern Utilities, Inc. – Revised Revenue Requirement

Chairman Goldner:

On behalf of Northern Utilities, Inc. (“Unitil” or the “Company”) I enclose revised Revenue Requirement Schedules (Confidential and Redacted versions) for filing in the above-referenced matter. As indicated in the Direct Testimony of Christopher Goulding and Daniel Nawazelski (see Exh. CGDN-1 at Bates 69, 72, 77, 80, 81, 94), the Company intended, at the time of its initial filing, to update the Schedules once certain information became known and measurable. For ease of reference, Unitil also encloses a Schedule Revision Summary identifying all of the updates by schedule. Unitil also encloses documentary support for the revisions. The result of the updates is a net increase to the Company’s revenue requirement of \$182,252.

Please note, at the time of its initial filing Unitil submitted a Motion for Confidential Treatment in connection with certain information in the Company’s Revenue Requirement Schedules. Specifically, the Company requested confidential treatment for Workpapers 1.1 and 1.2 supporting Schedule RevReq-3-2. The Commission has not yet ruled on the Company’s motion. As the same information is contained within the enclosed revised Revenue Requirement Schedules, Unitil hereby requests that the pending motion apply to these Schedules.

Please do not hesitate to contact me should you have any questions regarding the enclosed revised Revenue Requirement Schedules.

Sincerely,



Patrick H. Taylor

cc: Service List

Patrick H. Taylor
Chief Regulatory Counsel
taylorp@unitil.com

6 Liberty Lane West
Hampton, NH 03842

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
DOCKET DG 21-104
REVISED REVENUE REQUIREMENT SCHEDULES AND WORKPAPERS**

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
REVENUE REQUIREMENT TABLE OF CONTENTS
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-TOC

LINE NO.	(1) DESCRIPTION	(2) REFERENCE
1	Summary of Financial Schedules	
2	Computation Of Revenue Deficiency And Revenue Requirement	<u>Schedule RevReq-1</u>
3	Computation Of Gross-Up Factor For Revenue Requirement	<u>Schedule RevReq-1-1</u>
4	Operating Income Statement	<u>Schedule RevReq-2 P1</u>
5	Pro Forma Distribution Operating Income Statement	<u>Schedule RevReq-2 P2</u>
6	Summary Of Adjustments	<u>Schedule RevReq-3</u>
7	Summary of Revenue Adjustment Schedules	
8	Weather Normalization	<u>Schedule RevReq-3-1</u>
9	New Customer Revenue Annualization	<u>Schedule RevReq-3-2</u>
10	Residential Low Income	<u>Schedule RevReq-3-2</u>
11	Unbilled Revenue	<u>Schedule RevReq-3-2</u>
12	Non-Distribution Bad Debt	<u>Schedule RevReq-3-2</u>
13	Misc. Revenue Adjustment	<u>Schedule RevReq-3-2</u>
14	Late Fee Adjustment	<u>Schedule RevReq-3-2</u>
15	Billed Accuracy Adjustment	<u>Schedule RevReq-3-2</u>
16	Special Contract Customer Revenue Adjustment	<u>Schedule RevReq-3-2</u>
17	O&M Expense Adjustments	
18	Production Expense (O&M)	<u>Schedule RevReq-3-3</u>
19	Payroll	<u>Schedule RevReq-3-4</u>
20	Distribution Bad Debt	<u>Schedule RevReq-3-5</u>
21	Non-Distribution Bad Debt	<u>Schedule RevReq-3-2</u>
22	Medical & Dental Insurances	<u>Schedule RevReq-3-6</u>
23	Pension	<u>Schedule RevReq-3-7</u>
24	PBOP	<u>Schedule RevReq-3-7</u>
25	SERP	<u>Schedule RevReq-3-7</u>
26	401K	<u>Schedule RevReq-3-7</u>
27	Deferred Comp Expense	<u>Schedule RevReq-3-7</u>
28	Property & Liability Insurances	<u>Schedule RevReq-3-8</u>
29	NH PUC Assessment	<u>Schedule RevReq-3-9</u>
30	Dues & Subscriptions	<u>Schedule RevReq-3-10</u>
31	Pandemic Costs	<u>Schedule RevReq-3-11</u>
32	Severance Expense	<u>Schedule RevReq-3-12</u>
33	Rent Expense	<u>Schedule RevReq-3-13</u>
34	Arrearage Management Program (AMP) Implementation Cost	<u>Schedule RevReq-3-14</u>
35	Inflation Allowance	<u>Schedule RevReq-3-15</u>
36	Update for 2021 Lease Payments	<u>Schedule RevReq-3-22</u>
37	NH DOE Audit Adjustment #4	<u>Schedule RevReq-3-22</u>
38	D&A Expense Adjustments	
39	Depreciation Annualization	<u>Schedule RevReq-3-16 P1</u>
40	Proposed Depreciation Rate Adjustment	<u>Schedule RevReq-3-16 P2</u>
41	Production Expense (Depreciation)	<u>Schedule RevReq-3-3</u>
42	Software Amortization Expense Adjustment	<u>Schedule RevReq-3-17</u>
43	Excess ADIT Flowback	<u>Schedule RevReq-3-18</u>
44	Taxes Other Than Income Adjustments	
45	Property Taxes	<u>Schedule RevReq-3-19</u>
46	Payroll Taxes - Wage Increases	<u>Schedule RevReq-3-20 P1</u>
47	Payroll Taxes - Employee Retention Credit	<u>Schedule RevReq-3-20 P2</u>
48	Income Taxes Adjustments	
49	Federal Income Tax	<u>Schedule RevReq-3-21 P1</u>
50	NH State Tax	<u>Schedule RevReq-3-21 P1</u>
51	Remove Prior Year Federal Income Tax	<u>Schedule RevReq-3-21 P4</u>
52	Remove Prior Year State Income Tax	<u>Schedule RevReq-3-21 P4</u>
53	Remove Prior Year Deferred Federal Income Tax	<u>Schedule RevReq-3-21 P4</u>
54	Remove Prior Year Deferred State Income Tax	<u>Schedule RevReq-3-21 P4</u>
55	Balance Sheet & Plant in Service and Accumulated Depreciation	
56	Assets & Deferred Charges	<u>Schedule RevReq-4-1</u>
57	Stockholders Equity & Liabilities	<u>Schedule RevReq-4-2</u>
58	Utility Plant in Service	<u>Schedule RevReq-4-3</u>
59	Accumulated Depreciation & Amortization	<u>Schedule RevReq-4-4</u>
60	Rate Base & Related Adjustments	
61	Rate Base Calculation	<u>Schedule RevReq-5</u>
62	Quarterly Rate Base	<u>Schedule RevReq-5-1</u>
63	Cash Working Capital	<u>Schedule RevReq-5-2</u>
64	Supplemental Plant	<u>Schedule RevReq-5-3</u>
65	Deferred Income Tax Settlement Adjustment	<u>Schedule RevReq-5-4</u>
66	Cost of Capital Related Schedules	
67	Weighted Average Cost Of Capital	<u>Schedule RevReq-6</u>
68	Capital Structure for Ratemaking Purposes	<u>Schedule RevReq-6-1</u>
69	Cost of Common Equity Capital	<u>Schedule RevReq-6-2</u>
70	Weighted Average Cost of Preferred Stock	<u>Schedule RevReq-6-3</u>
71	Weighted Average Cost Of Long-Term Debt	<u>Schedule RevReq-6-4</u>
72	Cost of Short-Term Debt	<u>Schedule RevReq-6-5</u>
73	Historical Capital Structure	<u>Schedule RevReq-6-6</u>
74	Historical Capitalization Ratios	<u>Schedule RevReq-6-7</u>
75	Workpapers	<u>Workpapers</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
REVENUE REQUIREMENT REVISION SUMMARY
12 MONTHS ENDED DECEMBER 31, 2020
PRIVILEGED & CONFIDENTIAL - FOR SETTLEMENT PURPOSES ONLY

Line No.	(1) Description	(2) Schedule(s)	(3) Revenue Deficiency Change	(4) Balance	(5) Notes
1	Initially Filed Revenue Deficiency	Initially Filed Schedule RevReq-1		\$ 7,782,950	
2	Update for Actual 2022 Med & Dental Rate Change (0.00%)	Schedule RevReq-3-6 Revised, W3.1/W3.3 Revised	\$ (67,108)	\$ 7,715,842	Refer to Bates 72 and Energy 4-22
3	Update for Actual 2022 Fiscal Year Regulatory Assessments	Schedule RevReq-3-9	68,259	7,784,101	Refer to Bates 75-76 and Supporting Invoice
4	Update for Payroll Tax Adjustment for SS Wage Limit	Schedule RevReq-3-20 Revised, W8.1 & W8.2	(1,694)	7,782,407	Refer to Energy 4-26
5	Update for 2021 Lease Payments	Schedule RevReq-3-22	17,853	7,800,260	Refer to Energy 4-28
6	Audit Issue #4 (Inadvertent Allocator Used)	Schedule RevReq-3-22	(70)	7,800,191	NHDOE Audit Report, Page 148
7	Update for Actual 2022 Wage Increases	Schedule RevReq-3-4 P1 & P2 Revised	8,495	7,808,685	Refer to Bates 69
8	Update for Actual 2022 Wage Increases Impact on 401(k)	Schedule RevReq-3-7 Revised & W4.4/W4.5 Revised	480	7,809,166	Refer to Bates 69
9	Update for Actual 2021 Prop & Liab. Costs	Schedule RevReq-3-8 Revised, W5.1/W5.2/W5.3 Revised	(9,726)	7,799,440	Bates 74 & Energy 4-30 Revised
10	Update for Software Amortization for 2021 Projects & Corrections	Schedule RevReq-3-17 Revised, W7.2/W7.4 Revised	(9,759)	7,789,681	Refer to Bates 80 and Energy 4-37
11	Update for Actual 2021 Property Tax Bills	Schedule RevReq-3-19 Revised	180,147	7,969,828	Refer to Bates 81 & Supporting Invoices
12	Update for Actual 2021 Rent Expense	Schedule RevReq-3-13 Revised	(4,626)	7,965,202	Refer to Bates 77
13	Check:			\$ 0	
14	Change in Revenue Deficiency from Initially Filed			\$ 182,252	

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
COMPUTATION OF REVENUE DEFICIENCY AND REVENUE REQUIREMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-1
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) REFERENCE	(3) AMOUNT	(4) 2/15/2022 CO. UPDATE	(5) CHANGE FROM INITIAL FILING
1	Rate Base	Schedule RevReq-5	\$ 188,719,257	\$ 188,738,118	\$ 18,861
2	Rate of Return	Schedule RevReq-6	7.75%	7.75%	0.00%
3	Income Required	Line 1 * Line 2	14,621,110	14,622,572	1,462
4	Adjusted Net Operating Income	Schedule RevReq-2	8,946,016	8,814,586	(131,430)
5	Deficiency	Line 3 - Line 4	5,675,094	5,807,986	132,892
6	Income Tax Effect	Line 7 - Line 5	2,107,856	2,157,216	49,359
7	Revenue Deficiency	1.3714 (Schedule RevReq-1-1) * Line 5	<u>\$ 7,782,950</u>	<u>\$ 7,965,202</u>	<u>\$ 182,252</u>

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
COMPUTATION OF GROSS-UP FACTOR FOR REVENUE REQUIREMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-1-1
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) RATE	(3) AMOUNT
1	Federal Income Tax Rate	21.00%	0.2100
2	State Income Tax Rate	7.70%	0.0770
3	Federal Benefit of State Income Tax	-(Line 1 * Line 2)	<u>(0.0162)</u>
4	Northern Effective Tax Rate	(Line 1 + Line 2 + Line 3)	<u>0.2708</u>
5	Gross-Up Factor	(1 / 1 - Line 4)	<u><u>1.3714</u></u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
OPERATING INCOME STATEMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-2
Page 1 of 2
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LINE NO.	(1) DESCRIPTION	(2) TEST YEAR 12 MONTHS ENDED 12/31/2020	(3) LESS		(4) OTHER FLOWTHROUGH ⁽²⁾	(5) TEST YEAR DISTRIBUTION, PROD. & OH.	(6) TEST YEAR DISTRIBUTION	(7) TEST YEAR PROD. & OH.	(8) CALENDAR YEAR 2019 ⁽³⁾	(9) CALENDAR YEAR 2018 ⁽³⁾
			COST OF GAS EXCLUDING PROD. & OH. ⁽¹⁾							
1	Operating Revenues:									
2	Total Sales	\$ 65,455,125	\$ 22,701,750	\$ 3,458,228	\$ 39,295,147	\$ 38,237,257	\$ 1,057,890	\$ 72,009,468	\$ 78,261,307	
3	Total Other Operating Revenues	1,228,348	120,656	-	1,107,692	1,107,692	-	841,893	380,541	
4	Total Operating Revenues	\$ 66,683,473	\$ 22,822,406	\$ 3,458,228	\$ 40,402,839	\$ 39,344,949	\$ 1,057,890	\$ 72,851,361	\$ 78,641,848	
5	Operating Expenses:									
6	Production	\$ 23,544,860	\$ 22,696,215	\$ 398,908	\$ 449,736	\$ 449,736	\$ -	\$ 28,226,731	\$ 36,699,896	
7	Transmission	63,829	-	-	63,829	63,829	-	72,713	54,452	
8	Distribution	3,733,377	-	-	3,733,377	3,733,377	-	3,509,448	3,547,813	
9	Customer Accounting	2,608,189	99,544	-	2,508,645	2,508,645	-	2,768,758	2,548,545	
10	Customer Service	2,341,706	(0)	2,268,632	73,074	73,074	-	2,319,375	1,946,672	
11	Sales Expense	69,178	-	-	69,178	69,178	-	64,467	62,224	
12	Administrative & General	6,740,777	-	58,225	6,682,552	6,682,552	-	7,679,291	7,670,327	
13	Depreciation	8,876,582	-	-	8,876,582	8,876,582	-	8,166,463	7,482,080	
14	Amortizations	816,977	-	-	816,977	816,977	-	838,480	196,816	
15	Taxes Other Than Income	4,867,774	-	-	4,867,774	4,867,774	-	4,306,298	4,242,098	
16	Federal Income Tax	(30,211)	-	-	(30,211)	(30,211)	-	52,380	(353,526)	
17	State Income Tax	(384,644)	-	-	(384,644)	(384,644)	-	(309,547)	(463,245)	
18	Deferred Federal & State Income Taxes	2,600,179	-	-	2,600,179	2,600,179	-	2,975,683	3,341,111	
19	Interest on Customer Deposits	9,258	-	-	9,258	9,258	-	14,374	18,486	
20	Total Operating Expenses	\$ 55,857,829	\$ 22,795,759	\$ 2,725,765	\$ 30,336,305	\$ 30,336,305	\$ -	\$ 60,684,915	\$ 66,993,749	
21	Net Operating Income	\$ 10,825,644	\$ 26,647	\$ 732,463	\$ 10,066,533	\$ 9,008,643	\$ 1,057,890	\$ 12,166,447	\$ 11,648,100	

Notes

(1) Refer to Workpaper - Cost of Gas

(2) Refer to Workpaper - Flowthrough Detail. Consists of Energy Efficiency, Environmental Response Costs, Residential Low Income Assistance, Rate Case Costs, Recoupment, Lost Revenue, and On Bill Financing

(3) Calendar Years 2019 and 2018 represents Total Company (i.e., Flowthrough and Distribution).

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PRO FORMA DISTRIBUTION OPERATING INCOME STATEMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-2
Page 2 of 2
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LINE NO.	(1) DESCRIPTION	(2) TEST YEAR DISTRIBUTION, PROD. & OH.	(3) PRO FORMA ADJUSTMENTS	(4) TEST YEAR DISTRIBUTION, PROD. & OH. PRO FORMA	(5) PROOF (6)	
					REVENUE REQUIREMENT	PRO FORMA RATE RELIEF
1	Operating Revenues:					
2	Total Sales	\$ 39,295,147	\$ 2,757,397	\$ 42,052,544	\$ 7,965,202	\$ 50,017,746
3	Total Other Operating Revenues	1,107,692	40,013	1,147,705	-	1,147,705
4	Total Operating Revenues	\$ 40,402,839	\$ 2,797,410	\$ 43,200,249	\$ 7,965,202	\$ 51,165,451
5	Operating Expenses:					
6	Production	\$ 449,736	\$ 76,191	\$ 525,927	\$ -	\$ 525,927
7	Transmission	63,829	-	63,829	-	63,829
8	Distribution	3,733,377	562,202	4,295,579	-	4,295,579
9	Customer Accounting	2,508,645	84,475	2,593,120	-	2,593,120
10	Customer Service	73,074	-	73,074	-	73,074
11	Sales Expense	69,178	-	69,178	-	69,178
12	Administrative & General	6,682,552	776,622	7,459,173	-	7,459,173
13	Depreciation	8,876,582	2,354,856	11,231,438	-	11,231,438
14	Amortizations	816,977	(128,620)	688,357	-	688,357
15	Taxes Other Than Income	4,867,774	931,673	5,799,447	-	5,799,447
16	Federal Income Tax	(30,211)	(490,390)	(520,601)	1,543,895	1,023,294
17	State Income Tax	(384,644)	(1,009,913)	(1,394,556)	613,321	(781,236)
18	Deferred Federal & State Income Taxes	2,600,179	892,262	3,492,441	-	3,492,441
19	Interest on Customer Deposits	9,258	-	9,258	-	9,258
20	Total Operating Expenses	\$ 30,336,305	\$ 4,049,358	\$ 34,385,663	\$ 2,157,216	\$ 36,542,879
21	Net Operating Income	\$ 10,066,533	\$ (1,251,948)	\$ 8,814,586	\$ 5,807,986	\$ 14,622,572

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
SUMMARY OF ADJUSTMENTS
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) CLASSIFICATION	(3) SCHEDULE NO.	(4) AMOUNT	(5) 2/15/2022 CO. UPDATE	(6) TOTAL ADJUSTMENT
1	Revenue Adjustments					
2	Weather Normalization	Dist Rev	Schedule RevReq-3-1	\$ 1,994,374	\$ -	\$ 1,994,374
3	New Customer Revenue Annualization	Dist Rev	Schedule RevReq-3-2	278,301	-	278,301
4	Residential Low Income	Dist Rev	Schedule RevReq-3-2	264,523	-	264,523
5	Unbilled Revenue	Dist Rev	Schedule RevReq-3-2	294,543	-	294,543
6	Non-Distribution Bad Debt	Dist Rev	Schedule RevReq-3-2	(97,468)	-	(97,468)
7	Misc. Revenue Adjustment	Dist Rev	Schedule RevReq-3-2	4,788	-	4,788
8	Late Fee Adjustment	Oth Rev	Schedule RevReq-3-2	40,013	-	40,013
9	Billed Accuracy Adjustment	Dist Rev	Schedule RevReq-3-2	367	-	367
10	Special Contract Customer Revenue Adjustment	Dist Rev	Schedule RevReq-3-2	17,968	-	17,968
11	Total Revenue Adjustments			<u>\$ 2,797,410</u>	<u>\$ -</u>	<u>\$ 2,797,410</u>
12	Operating & Maintenance Expense Adjustments					
13	Production Expense (O&M)	Prod	Schedule RevReq-3-3	\$ 76,191	\$ -	\$ 76,191
14	Payroll	Dist	Schedule RevReq-3-4	554,442	7,760	562,202
15	Distribution Bad Debt	Cust Acct	Schedule RevReq-3-5	88,160	1,303	89,463
16	Non-Distribution Bad Debt	Cust Acct	Schedule RevReq-3-2	(97,468)	-	(97,468)
17	Medical & Dental Insurances	A&G	Schedule RevReq-3-6	404,594	(65,986)	338,607
18	Pension	A&G	Schedule RevReq-3-7	(2,185)	-	(2,185)
19	PBOP	A&G	Schedule RevReq-3-7	(19,749)	-	(19,749)
20	SERP	A&G	Schedule RevReq-3-7	58,798	-	58,798
21	401K	A&G	Schedule RevReq-3-7	30,095	472	30,567
22	Deferred Comp Expense	A&G	Schedule RevReq-3-7	44,415	-	44,415
23	Property & Liability Insurances	A&G	Schedule RevReq-3-8	60,699	(9,564)	51,135
24	NH PUC Assessment	A&G	Schedule RevReq-3-9	116,230	67,118	183,348
25	Dues & Subscriptions	A&G	Schedule RevReq-3-10	(1,774)	-	(1,774)
26	Pandemic Costs	A&G	Schedule RevReq-3-11	(107,125)	-	(107,125)
27	Severance Expense	A&G	Schedule RevReq-3-12	(29,947)	-	(29,947)
28	Rent Expense	A&G	Schedule RevReq-3-13	51,913	(4,549)	47,363
29	Arrearage Management Program (AMP) Implementation Cost	Cust Acct	Schedule RevReq-3-14	92,480	-	92,480
30	Inflation Allowance	A&G	Schedule RevReq-3-15	165,684	-	165,684
31	Update for 2021 Lease Payments	A&G	Schedule RevReq-3-22	-	17,554	17,554
32	NH DOE Audit Adjustment #4	A&G	Schedule RevReq-3-22	-	(69)	(69)
33	Total Operating & Maintenance Expense Adjustments			<u>\$ 1,485,451</u>	<u>\$ 14,038</u>	<u>\$ 1,499,489</u>
34	Depreciation And Amortization Expense Adjustments					
35	Depreciation Annualization	Depr	Schedule RevReq-3-16 P1	\$ 469,003	\$ -	\$ 469,003
36	Proposed Depreciation Rates	Depr	Schedule RevReq-3-16 P2	1,847,988	-	1,847,988
37	Production Expense (Depreciation)	Depr	Schedule RevReq-3-3	37,865	-	37,865
38	Software Amortization	Amort	Schedule RevReq-3-17	189,288	(9,689)	179,598
39	Excess ADIT Flowback	Amort	Schedule RevReq-3-18	(308,218)	-	(308,218)
40	Total Depreciation And Amortization Expense Adjustments			<u>\$ 2,235,925</u>	<u>\$ (9,689)</u>	<u>\$ 2,226,236</u>
41	Taxes Other Than Income Adjustments					
42	Property Taxes	Oth Tax	Schedule RevReq-3-19	\$ 617,939	\$ 177,134	\$ 795,073
43	Payroll Taxes - Wage Increases	Oth Tax	Schedule RevReq-3-20 P1	42,415	(1,072)	41,343
44	Payroll Taxes - Employee Retention Credit	Oth Tax	Schedule RevReq-3-20 P2	95,258	-	95,258
45	Total Taxes Other Than Income Adjustments			<u>\$ 755,611</u>	<u>\$ 176,062</u>	<u>\$ 931,673</u>
46	Income Taxes Adjustments					
47	Federal Income Tax	FIT	Schedule RevReq-3-21 P1	\$ (405,701)	\$ (35,055)	\$ (440,756)
48	NH State Tax	SIT	Schedule RevReq-3-21 P1	(161,167)	(13,926)	(175,093)
49	Remove Prior Year Federal Income Tax	FIT	Schedule RevReq-3-21 P4	(49,634)	-	(49,634)
50	Remove Prior Year State Income Tax	SIT	Schedule RevReq-3-21 P4	(834,820)	-	(834,820)
51	Remove Prior Year Deferred Federal Income Tax	DIT	Schedule RevReq-3-21 P4	57,442	-	57,442
52	Remove Prior Year Deferred State Income Tax	DIT	Schedule RevReq-3-21 P4	834,820	-	834,820
53	Total Income Taxes Adjustments			<u>\$ (559,060)</u>	<u>\$ (48,980)</u>	<u>\$ (608,040)</u>
54	Rate Base Adjustments					
55	NH Supplemental Plant Adjustment	Plant	Schedule RevReq-5-3	\$ 1,873,246	\$ -	\$ 1,873,246
56	NH Supplemental Plant Adjustment	Acc Depr	Schedule RevReq-5-3	1,350,190	-	1,350,190
57	DIT Settlement Adjustment	RB DIT	Schedule RevReq-5-4	-	-	-
58	Cash Working Capital (Due To Pro Forma Adjustments)	CWC	Schedule RevReq-5-2	235,191	18,861	254,052
59	Total Rate Base Adjustments			<u>\$ 758,247</u>	<u>\$ 18,861</u>	<u>\$ 777,108</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
WEATHER NORMALIZATION
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-1
Table of Contents

<u>LINE NO.</u>	(1) <u>DESCRIPTION</u>	(2) <u>TOTAL</u>
1	To Increase Test Year Base Revenue to Normalize for the Effect of Warmer than Normal Weather ⁽¹⁾	<u>\$ 1,994,374</u>

Notes

(1) Refer to Direct Testimony of Ron Amen & John Taylor

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
REVENUE ADJUSTMENTS
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-2
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) TOTAL
1	<u>Customer Growth Revenue Adjustment</u>	
2	To Increase Test Year Base Revenue for 2020 Customer Growth ⁽¹⁾	\$ 278,301
3	<u>Residential Low Income Assistance Revenue Adjustment</u>	
4	To Reflect Recovery Of The Low Income Discount Through the LDAC ⁽²⁾	\$ 264,523
5	<u>Unbilled Revenue Adjustment</u>	
6	Remove Unbilled Revenue	\$ 294,543
7	<u>Non Distribution Bad Debt Adjustment (Revenue & Expense)</u>	
8	Remove: Accrued Revenue - Non Dist Bad Debt	\$ (97,468)
9	Remove: Provision For Doubtful Accts - Non-Dist - NH	\$ (97,468)
10	<u>Misc. Revenue Adjustment</u>	
11	Clear Remaining Rate Case Expense And Recoupment Balances	\$ 4,788
12	<u>Late Payment Revenue Adjustment</u>	
13	Normalized Late Payment Revenue ⁽³⁾	\$ 76,773
14	Test Year Late Payment Revenue	36,761
15	Late Payment Revenue Adjustment	<u>\$ 40,013</u>
16	<u>Billed Accuracy Adjustment</u>	
17	Booked to Calculated Bill Adjustment ⁽¹⁾	\$ 367
18	<u>Special Contract Customer Revenue Adjustment</u>	
19	Full Year Special Contract Customer Revenue at Special Contract Rate ⁽⁴⁾	\$ 1,197,813
20	Test Year Special Contract Customer Actual Revenue ⁽⁴⁾	1,179,845
21	Net Special Contract Customer Revenue Adjustment	<u>\$ 17,968</u>

Notes

(1) Refer to Direct Testimony of Ron Amen & John Taylor

(2) See Workpaper - Flowthrough Detail

(3) Normalized Late Payment Revenue based on 2019 calendar year activity

(4) Refer to Workpaper 1.1 and Workpaper 1.2

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PRODUCTION EXPENSE ADJUSTMENTS
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-3
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) NH	(3) ME	(4) TOTAL	(5) NH PR ALLOC. 40.88%	(6) ME PR ALLOC. 59.12%	(7) NH REVREQ ADJUST.	(8) ME REVREQ ADJUST.
1	Operation & Maintenance Expense							
2	Liquefied Propane Gas Production							
3	Operation Expense							
4	710 - Operation Supervision and Engineering	\$ -	\$ 29,447	\$ 29,447	\$ 12,038	\$ 17,409		
5	717 - Production Operation Labor	-	24,228	24,228	9,904	14,324		
6	735 - Production Operation Miscellaneous	-	59,588	59,588	24,360	35,228		
7	Total Operation Expense	-	113,263	113,263	46,302	66,961		
8	Maintenance							
9	740 - Production Maintenance Supervision	-	29,447	29,447	12,038	17,409		
10	741 - Maintenance of Plant	-	8,464	8,464	3,460	5,004		
11	742 - Maint of Equipment	-	28,588	28,588	11,687	16,901		
12	Total Maintenance Expense	-	66,499	66,499	27,185	39,314		
13	769 - Maint of Scada - Product	-	6,615	6,615	2,704	3,911		
14	Total Manuf Gas Prod Exp	\$ -	\$ 186,377	\$ 186,377	\$ 76,191	\$ 110,186	\$ 76,191	\$ (76,191)
15	Depreciation Expense							
16	Production Plant							
17	305 - Structures	\$ -	\$ 2,277	\$ 2,277	\$ 931	\$ 1,346		
18	Total Production Plant	-	2,277	2,277	931	1,346		
19	Other Storage Plant							
20	361 - Structures & Improve	-	11,705	11,705	4,785	6,920		
21	362 - Gas Holders	-	78,642	78,642	32,149	46,493		
22	Total Other Storage Plant	-	90,347	90,347	36,934	53,413		
23	Total Depreciation & Amortization	\$ -	\$ 92,624	\$ 92,624	\$ 37,865	\$ 54,759	\$ 37,865	\$ (37,865)

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-4
Page 1 of 2
Table of Contents

LINE NO.	(1) DESCRIPTION	(2)	(3)	(4)	(5)	(6)
		NONUNION	NuNH UNION	SUBTOTAL	FROM USC	TOTAL
1	Test Year Payroll, Adjusted for Target Incentive Compensation	\$ 946,912	\$ 3,475,844	\$ 4,422,756	\$ 6,330,920	\$ 10,753,676
2	2020 Rate Increase, Annualized ⁽¹⁾	-	57,071	57,071	-	57,071
3	Payroll Annualized for 2020 Union Wage Increase	946,912	3,532,915	4,479,827	6,330,920	10,810,747
4	2021 Salary & Wage Increase ⁽²⁾	29,544	105,987	135,531	278,560	414,091
5	Payroll Proformed for 2020 and 2021 Wage Increases	976,456	3,638,903	4,615,358	6,609,480	11,224,838
6	2022 Salary & Wage Increase ⁽³⁾	30,465	109,167	139,632	290,817	430,449
7	Payroll Proformed for 2020, 2021 and 2022 Wage Increases	1,006,921	3,748,070	4,754,991	6,900,297	11,655,288
8	Less Amounts Chargeable to Capital ⁽⁴⁾	470,131	1,749,974	2,220,105	2,243,977	4,464,082
9	O&M Payroll Proformed	536,790	1,998,096	2,534,886	4,656,320	7,191,206
10	Less: Test Year O&M Payroll ⁽⁵⁾			2,364,660	4,272,105	6,636,764
11	Increase in O&M Payroll due to Annual Salary and Wage Increases			170,226	384,216	554,442
12	Incentive Compensation Target Adjustment ⁽⁶⁾			\$ -	-	-
13	Net Adjustment to O&M Payroll / Compensation			170,226	384,216	554,442

Notes

(1) NuNH Union increase of 3.0% effective June 1, 2020

(2) NuNH Non-union increase of 3.12% effective January 1, 2021, Union increase of 3.0% effective September 6, 2021 and USC increase of 4.40% effective January 1, 2021

(3) NuNH Non-union increase of 3.12% effective January 1, 2022, Union increase of 3.0% effective September 6, 2022 and USC increase of 4.40% effective January 1, 2022

(4) Test Year Payroll Capitalization Rates:

NuNH	46.69%
USC	32.52%

(5) Refer to Workpaper 2.2 and Schedule RevReq-3-4, page 2.

(6) Refer to Workpaper 2.4

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-4 Revised
Page 1 of 2 Revised
Table of Contents

LINE NO.	(1) DESCRIPTION	(2)	(3)	(4)	(5)	(6)
		NONUNION	NuNH UNION	SUBTOTAL	FROM USC	TOTAL
1	Test Year Payroll, Adjusted for Target Incentive Compensation	\$ 946,912	\$ 3,475,844	\$ 4,422,756	\$ 6,330,920	\$ 10,753,676
2	2020 Rate Increase, Annualized ⁽¹⁾	-	57,071	57,071	-	57,071
3	Payroll Annualized for 2020 Union Wage Increase	946,912	3,532,915	4,479,827	6,330,920	10,810,747
4	2021 Salary & Wage Increase ⁽²⁾	29,544	105,987	135,531	278,560	414,091
5	Payroll Proformed for 2020 and 2021 Wage Increases	976,456	3,638,903	4,615,358	6,609,480	11,224,838
6	2022 Salary & Wage Increase ⁽³⁾	31,637	109,167	140,804	301,392	442,196
7	Payroll Proformed for 2020, 2021 and 2022 Wage Increases	1,008,093	3,748,070	4,756,163	6,910,872	11,667,034
8	Less Amounts Chargeable to Capital ⁽⁴⁾	470,679	1,749,974	2,220,653	2,247,416	4,468,069
9	O&M Payroll Proformed	537,414	1,998,096	2,535,510	4,663,456	7,198,966
10	Less: Test Year O&M Payroll ⁽⁵⁾			2,364,660	4,272,105	6,636,764
11	Increase in O&M Payroll due to Annual Salary and Wage Increases			170,850	391,352	562,202
12	Incentive Compensation Target Adjustment ⁽⁶⁾			\$ -	-	-
13	Net Adjustment to O&M Payroll / Compensation			170,850	391,352	562,202

Notes

(1) NuNH Union increase of 3.0% effective June 1, 2020

(2) NuNH Non-union increase of 3.12% effective January 1, 2021, Union increase of 3.0% effective September 6, 2021 and USC increase of 4.40% effective January 1, 2021

(3) NuNH Non-union increase of 3.24% effective January 1, 2022, Union increase of 3.0% effective September 6, 2022 and USC increase of 4.56% effective January 1, 2022

(4) Test Year Payroll Capitalization Rates:

NuNH	46.69%
USC	32.52%

(5) Refer to Workpaper 2.2 and Schedule RevReq-3-4, page 2 Revised.

(6) Refer to Workpaper 2.4

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
UNITIL SERVICE CORP PAYROLL ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-4
Page 2 of 2
Table of Contents**

(1)	(2)
LINE NO.	TOTAL
DESCRIPTION	
1	\$ 6,330,920
2	4.40%
3	278,560
4	6,609,480
5	4.40%
6	290,817
7	6,900,297
8	32.52%
9	2,243,977
10	4,656,320
11	4,272,105
12	\$ 384,216

Notes

(1) Includes Incentive Compensation at Target of \$688,442

(2) Average Increase of 4.40% Effective January 1, 2021 and Average Increase of 4.40% Effective January 1, 2022

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
UNITIL SERVICE CORP PAYROLL ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-4 Revised
Page 2 of 2 Revised
Table of Contents**

(1)	(2)
LINE NO.	TOTAL
DESCRIPTION	
1	\$ 6,330,920
2	<u>4.40%</u>
3	278,560
4	<u>6,609,480</u>
5	<u>4.56%</u>
6	301,392
7	<u>6,910,872</u>
8	<u>32.52%</u>
9	2,247,416
10	4,663,456
11	<u>4,272,105</u>
12	<u><u>\$ 391,352</u></u>

Notes

(1) Includes Incentive Compensation at Target of \$688,442

(2) Average Increase of 4.40% Effective January 1, 2021 and Average Increase of 4.56% Effective January 1, 2022

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
DISTRIBUTION BAD DEBT ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-5
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) AMOUNT	(3) 2/15/2022 CO. UPDATE	(4) TOTAL
1	Calendar Year 2019 Write-Offs as a % of Retail Delivery Billed Revenue ⁽¹⁾	0.71%	0.71%	0.71%
2	Per Books Based Distribution Billed Revenue - Calendar Year 2019 ⁽¹⁾	\$ 39,254,737	\$ -	\$ 39,254,737
3	Revenue Increase from Rate Case	7,782,950	182,252	7,965,202
4	2020 Total Normalized Delivery Retail Billed Revenue	\$ 47,037,687	\$ 182,252	\$ 47,219,939
5	Uncollectible Delivery Revenue	\$ 336,170	\$ 1,303	\$ 337,472
6	Less: Test Year Bad Debt Expense	\$ 248,010	\$ -	\$ 248,010
7	Increase in Bad Debt Expense	\$ 88,160	\$ 1,303	\$ 89,463

Notes

(1) Normalized write offs and per books base distribution billed revenue by using 2019 calendar year activity

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL AND DENTAL INSURANCE ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-6
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) TOTAL	(3) NuNH ⁽¹⁾	(4) UNITIL SERVICE CORP. ⁽²⁾
1	Proformed Medical and Dental O&M Expense	\$ 871,431	\$ 318,565	\$ 552,866
2	Less: Test Year Medical And Dental Insurance O&M Expense	466,837	182,055	284,783
3	Proformed 2021 And 2022 O&M Increase	\$ 404,594	\$ 136,510	\$ 268,083

Notes

(1) See Workpapers W3.1

(2) See Workpapers W3.2

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL AND DENTAL INSURANCE ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-6 Revised
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) TOTAL	(3) NuNH ⁽¹⁾	(4) UNITIL SERVICE CORP. ⁽²⁾
1	Proformed Medical and Dental O&M Expense	\$ 805,445	\$ 293,606	\$ 511,839
2	Less: Test Year Medical And Dental Insurance O&M Expense	466,837	182,055	284,783
3	Proformed 2021 And 2022 O&M Increase	\$ 338,607	\$ 111,551	\$ 227,056

Notes

(1) See Workpapers W3.1

(2) See Workpapers W3.2

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
Pension, PBOP, SERP, 401(K) and Deferred Compensation Expense
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-7
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) TOTAL	(3) NuNH	(4) UNITIL SERVICE CORP.
1	Test Year Pension Expense, as Pro-Formed	\$ 690,223	\$ 250,740	\$ 439,483
2	Test Year PBOP Expense, as Pro-Formed	389,446	204,698	184,748
3	Test Year SERP Expense, as Pro-Formed	320,475	-	320,475
4	Test Year 401K Expense, as Pro-Formed	394,059	98,571	295,488
5	Test Year Deferred Comp Expense, as Pro-Formed	52,717	-	52,717
6	Total Test Year Pension, PBOP, SERP and 401K Expense, as Pro-Formed	1,846,920	554,009	1,292,911
7	Test Year Pension Expense	\$ 692,409	\$ 280,117	\$ 412,291
8	Test Year PBOP Expense	409,195	203,878	205,317
9	Test Year SERP Expense	261,677	-	261,677
10	Test Year 401K Expense	363,965	92,859	271,106
11	Test Year Deferred Comp Expense	8,302	-	8,302
12	Total Test Year Pension, PBOP, SERP and 401K Expense	1,735,547	576,854	1,158,693
13	Test Year Pension Expense, Pro-Forma Adjustment ⁽¹⁾	(2,185)	(29,377)	27,192
14	Test Year PBOP Expense, Pro-Forma Adjustment ⁽²⁾	(19,749)	819	(20,569)
15	Test Year SERP Expense, Pro-Forma Adjustment ⁽³⁾	58,798	-	58,798
16	Test Year 401K Expense, Pro-Forma Adjustment ⁽⁴⁾	30,095	5,712	24,382
17	Test Year Deferred Comp Expense, Pro-Forma Adjustment ⁽⁵⁾	44,415	-	44,415
18	Total Test Year Retirement Costs Pro-Forma Adjustment	\$ 111,373	\$ (22,845)	\$ 134,218

Notes

- (1) Refer to Workpaper 4.1
- (2) Refer to Workpaper 4.2
- (3) Refer to Workpaper 4.3
- (4) Refer to Workpaper 4.4
- (5) Refer to Workpaper 4.6

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
Pension, PBOP, SERP, 401(K) and Deferred Compensation Expense
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-7 Revised
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) TOTAL	(3) NuNH	(4) UNITIL SERVICE CORP.
1	Test Year Pension Expense, as Pro-Formed	\$ 690,223	\$ 250,740	\$ 439,483
2	Test Year PBOP Expense, as Pro-Formed	389,446	204,698	184,748
3	Test Year SERP Expense, as Pro-Formed	320,475	-	320,475
4	Test Year 401K Expense, as Pro-Formed	394,531	98,590	295,941
5	Test Year Deferred Comp Expense, as Pro-Formed	52,717	-	52,717
6	Total Test Year Pension, PBOP, SERP and 401K Expense, as Pro-Formed	1,847,392	554,028	1,293,364
7	Test Year Pension Expense	\$ 692,409	\$ 280,117	\$ 412,291
8	Test Year PBOP Expense	409,195	203,878	205,317
9	Test Year SERP Expense	261,677	-	261,677
10	Test Year 401K Expense	363,965	92,859	271,106
11	Test Year Deferred Comp Expense	8,302	-	8,302
12	Total Test Year Pension, PBOP, SERP and 401K Expense	1,735,547	576,854	1,158,693
13	Test Year Pension Expense, Pro-Forma Adjustment ⁽¹⁾	(2,185)	(29,377)	27,192
14	Test Year PBOP Expense, Pro-Forma Adjustment ⁽²⁾	(19,749)	819	(20,569)
15	Test Year SERP Expense, Pro-Forma Adjustment ⁽³⁾	58,798	-	58,798
16	Test Year 401K Expense, Pro-Forma Adjustment ⁽⁴⁾	30,567	5,732	24,835
17	Test Year Deferred Comp Expense, Pro-Forma Adjustment ⁽⁵⁾	44,415	-	44,415
18	Total Test Year Retirement Costs Pro-Forma Adjustment	\$ 111,845	\$ (22,826)	\$ 134,671

Notes

- (1) Refer to Workpaper 4.1
- (2) Refer to Workpaper 4.2
- (3) Refer to Workpaper 4.3
- (4) Refer to Workpaper 4.4
- (5) Refer to Workpaper 4.6

Schedule RevReq-3-8
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PROPERTY & LIABILITY INSURANCE
12 MONTHS ENDED DECEMBER 31, 2020

LINE NO.	(1) DESCRIPTION	(2) TOTAL	(3) NuNH ⁽¹⁾	(4) UNITIL SERVICE CORP. ⁽²⁾
1	Proformed Property & Liability Insurances O&M Expense	\$ 319,949	\$ 289,097	\$ 30,851
2	Less: Test Year Property & Liability Insurances O&M Expense	259,250	241,873	17,377
3	Proformed 2021 And 2022 O&M Increase	\$ 60,699	\$ 47,224	\$ 13,475

Notes

(1) Refer to Workpaper 5.1

(2) Refer to Workpaper 5.2

Schedule RevReq-3-8 Revised
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PROPERTY & LIABILITY INSURANCE
 12 MONTHS ENDED DECEMBER 31, 2020

LINE NO.	(1) DESCRIPTION	(2) TOTAL	(3) NuNH ⁽¹⁾	(4) UNITIL SERVICE CORP. ⁽²⁾
1	Proformed Property & Liability Insurances O&M Expense	\$ 310,385	\$ 277,077	\$ 33,308
2	Less: Test Year Property & Liability Insurances O&M Expense	<u>259,250</u>	<u>241,873</u>	<u>17,377</u>
3	Proformed 2021 And 2022 O&M Increase	<u>\$ 51,135</u>	<u>\$ 35,204</u>	<u>\$ 15,931</u>

Notes

(1) Refer to Workpaper 5.1 Revised

(2) Refer to Workpaper 5.2 Revised

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 NH PUC ASSESSMENT
 12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-9
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) FY 2021 AS FILED	(3) FY 2022 UPDATE
1	Regulatory Assessments	\$ 485,194	\$ 552,312
2	Test Year Total PUC Assessment Recovered Through Base Rates	368,964	368,964
3	Adjustment for 2021 NH PUC Assessment	<u>\$ 116,230</u>	<u>\$ 183,348</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
DUES & SUBSCRIPTION ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-10
Table of Contents

(1)	(2)	
LINE NO.	DESCRIPTION	AMOUNT
1	AGA Membership Dues	\$ 84,145
2	Amount allocated to NuNH	34%
3	Test Year NuNH Dues & Subscriptions	<u>28,609</u>
4	Adjustment to remove lobbying portion of Dues & Subscriptions ⁽¹⁾	<u><u>(1,774)</u></u>

Notes

(1) The portion of 2020 membership that is allocable to lobbying is 6.2%

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PANDEMIC COST ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-11
Table of Contents**

(1)	(2)
LINE NO.	AMOUNT
DESCRIPTION	
1	\$ 100,284
2	
3	\$ 49,496
4	20.18%
5	\$ 9,988
6	31.51%
7	3,147
8	\$ 6,841
9	\$ (107,125)

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
SEVERANCE EXPENSE ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-12
Table of Contents**

(1)	(2)	
<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1	Test year severance normalization ⁽¹⁾	\$ (29,947)

Notes

(1) Normalized using 5-year historical amounts

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RENT EXPENSE ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-13
Table of Contents**

(1)	(2)	
LINE NO.	DESCRIPTION	AMOUNT
1	Rent Expense Charged to Unitil Service Corp.	\$ 381,843
2	NuNH Apportionment	19.85%
3	Expense Apportioned to NuNH	\$ 75,796
4	Capitalization Rate	31.51%
5	NuNH Capitalization	23,883
6	NuNH Net O&M Rent Expense	\$ 51,913

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RENT EXPENSE ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-13 Revised
Table of Contents**

(1)	(2)
LINE NO.	AMOUNT
DESCRIPTION	
1	\$ 348,382
2	19.85%
3	\$ 69,154
4	31.51%
5	21,790
6	\$ 47,363

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
ARREARAGE MANGAEMENT PROGRAM (AMP) IMPLEMENTATION ADJUSTMENT **Schedule RevReq-3-14**
12 MONTHS ENDED DECEMBER 31, 2020 **Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) AMOUNT
1	Required AMP Full Time Employee	\$ 84,000
2	Allocable to NuNH	22%
3	Expense Allocable to NuNH	\$ 18,480
4	Annual AMP Forgiveness ⁽¹⁾	74,000
5	Total AMP Implementation Costs	\$ 92,480

Notes

(1) Annual over/under recovery of AMP forgiveness to be reconciled through Company's proposed Regulatory Cost Adjustment Mechanism as a component of the Local Delivery Adjustment Charge

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
INFLATION ALLOWANCE
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-15
Page 1 of 2
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) AMOUNT AS FILED
1	Test Year Distribution O&M Expenses	\$ 13,580,391
	Less Normalizing Adjustments Items:	
2	Payroll	\$ 6,636,764
3	Medical and Dental Insurance	466,837
4	401K Costs	363,965
5	Property & Liability Insurance	259,250
6	PUC Assessment	368,964
7	Total Normalizing Adjustment Items	<u>\$ 8,095,780</u>
	Less Items not Subject to Inflation:	
8	Pension	\$ 692,409
9	Postemployment Benefits Other than Pensions	409,195
10	Supplemental Executive Retirement Plan	261,677
11	Deferred Comp Expense	8,302
12	Bad Debts	345,477
13	Postage	135,037
14	Amortizations - USC Charge	75,914
15	Facility Leases - USC Charge	320,591
16	Total Items not Subject to Inflation	<u>\$ 2,248,602</u>
17	Residual O&M Expenses	\$ 3,236,009
18	Projected Inflation Rate ⁽¹⁾	<u>5.12%</u>
19	Increase in Other O&M Expense for Inflation	\$ 165,684

Notes

(1) Refer to Schedule RevReq-3-15, Page 2 of 2

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 INFLATION ALLOWANCE
 12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-15
 Page 2 of 2
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) INDEX ⁽¹⁾
	GDPIPD Index Value at the end of the Test Year:	
1	June 2020 Index-GDP	113.0
2	July 2020 Index-GDP	113.6
3	July 1, 2020 (Midpoint of Test Year) Index	113.3
	GDPIPD Index Value at date of permanent rates :	
4	July 2022 Index-GDP	119.0
5	August 2022 Index-GDP	119.2
6	August 1, 2022 (Date of Permanent Rates) Index	119.1
7	Projected Inflation Rate	5.12%

Notes

(1) Refer to Workpaper 6.1 for GDPIPD Indices

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
DEPRECIATION ANNUALIZATION
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-16
Page 1 of 2
[Table of Contents](#)

LINE NO.	(1) DESCRIPTION	(2) PLANT BALANCE 12/31/2020	(3) CURRENT DEPRECIATION RATES	(4) ANNUAL DEPRECIATION EXPENSE
1	Amortizable Plant:			
2	303 Misc Intangible Plant	\$ 12,826,347	N/A	N/A
3	Total Amortizable Plant	12,826,347	N/A	-
4	Mfg. Gas Produc. Plant:			
5	304.2 Land & Rights - Mfg Gas Prod. Pl	6,816	N/A	N/A
6	305 Struct. And Improvements	-	N/A	N/A
7	320 Other Equipment	-	N/A	N/A
8	321 LNG Equipment	-	N/A	N/A
9	Total Mfg Gas Prod. Plant	6,816	N/A	-
10	Distribution Plant:			
11	374.4 Land Rgts, Other Distr Sy	89,111	N/A	N/A
12	374.5 Land Rgts, Rights Of Way	17,911	N/A	N/A
13	375.2 Structures - City Gate Meas & Reg	43,350	1.43%	620
14	375.7 Structures - Other Dist Sys	3,217,521	1.43%	46,011
15	376.2 Mains - Coated/Wrapped	29,746,227	2.66%	791,250
16	376.3 Mains - Bare Steel	190,837	N/A	N/A
17	376.4 Mains - Plastic	120,342,184	2.87%	3,453,821
18	376.5 Mains - Joint Seals	542,145	N/A	N/A
19	376.6 Mains - Cathodic Protection	1,082,739	4.17%	45,150
20	376.8 Mains - Cast Iron	28,455	N/A	N/A
21	378.2 Mea & Reg Station Eq, Regulating	7,288,982	3.50%	255,114
22	379 Mea & Reg Ta-G	39,266	3.50%	1,374
23	380 Services	82,837,047	3.67%	3,040,120
24	381 Meters	4,624,610	3.33%	154,000
25	382 Meter Installations	26,001,685	3.33%	865,856
26	383 House Regulators	733,550	3.33%	24,427
27	386 Water Heaters/Conversion Burners	1,978,895	7.41%	146,636
28	Total Distribution Plant	278,804,516	3.17%	8,824,379
29	General Plant:			
30	389.1 Land	232,947	N/A	N/A
31	391.10 Off Furn & Eq.- Unspecified	508,135	8.70%	44,208
32	393 Stores Equipment	31,520	N/A	N/A
33	394.10 Tools, Garage & Service Equipment	1,430,421	5.26%	75,240
34	396 Power Operated Equipment	75,266	N/A	N/A
35	397 Communication Equipment	1,873,480	9.09%	170,299
36	397.25 Metscan Communication Equip	112,656	N/A	N/A
37	397.35 ERT Automatic Reading Dev	3,470,146	6.67%	231,459
38	Total General Plant	7,734,572	7.16%	521,206
39	Total Plant in Service	\$ 299,372,252	3.28%	\$ 9,345,585
40	Test Year Expense			\$ 8,876,582
41	Increase In Depreciation Expense			\$ 469,003

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PROPOSED DEPRECIATION RATES
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-16
Page 2 of 2
[Table of Contents](#)

LINE NO.	(1) DESCRIPTION	(2) PLANT BALANCE 12/31/2020	(3) PROPOSED DEPRECIATION RATES	(4) PROPOSED DEPRECIATION EXPENSE
1	Amortizable Plant:			
2	303 Misc Intangible Plant	\$ 12,826,347	N/A	N/A
3	Total Amortizable Plant	12,826,347	N/A	-
4	Mfg. Gas Produc. Plant:			
5	304.2 Land & Rights - Mfg Gas Prod. Pl	6,816	N/A	N/A
6	305 Struct. And Improvements	-	N/A	N/A
7	320 Other Equipment	-	N/A	N/A
8	321 LNG Equipment	-	N/A	N/A
9	Total Mfg Gas Prod. Plant	6,816	N/A	-
10	Distribution Plant:			
11	374.4 Land Rgts, Other Distr Sy	89,111	N/A	N/A
12	374.5 Land Rgts, Rights Of Way	17,911	N/A	N/A
13	375.2 Structures - City Gate Meas & Reg	43,350	2.74%	1,188
14	375.7 Structures - Other Dist Sys	3,217,521	2.74%	88,160
15	376.2 Mains - Coated/Wrapped	29,746,227	3.78%	1,124,407
16	376.3 Mains - Bare Steel	190,837	N/A	N/A
17	376.4 Mains - Plastic	120,342,184	2.88%	3,465,855
18	376.5 Mains - Joint Seals	542,145	N/A	N/A
19	376.6 Mains - Cathodic Protection	1,082,739	4.64%	50,239
20	376.8 Mains - Cast Iron	28,455	N/A	N/A
21	378.2 Mea & Reg Station Eq, Regulating	7,288,982	4.87%	354,973
22	379 Mea & Reg Ta-G	39,266	4.87%	1,912
23	380 Services	82,837,047	4.41%	3,653,114
24	381 Meters	4,624,610	5.34%	246,954
25	382 Meter Installations	26,001,685	4.23%	1,099,871
26	383 House Regulators	733,550	3.32%	24,354
27	386 Water Heaters/Conversion Burners	1,978,895	11.36%	224,802
28	Total Distribution Plant	278,804,516	3.72%	10,335,829
29	General Plant:			
30	389.1 Land	232,947	N/A	N/A
31	391.10 Off Furn & Eq.- Unspecified	508,135	6.67%	33,893
32	393 Stores Equipment	31,520	N/A	N/A
33	394.10 Tools, Garage & Service Equipment	1,430,421	3.67%	52,496
34	396 Power Operated Equipment	75,266	N/A	N/A
35	397 Communication Equipment	1,873,480	5.36%	100,419
36	397.25 Metscan Communication Equip	112,656	N/A	N/A
37	397.35 ERT Automatic Reading Dev	3,470,146	3.18%	110,351
38	Total General Plant	7,734,572	4.08%	297,159
39	Total Plant in Service	\$ 299,372,252	3.73%	\$ 10,632,988
40	<u>Reserve Adjustment For Amortization</u> ⁽¹⁾			
41	391.10 Off Furn & Eq.- Unspecified			(3,628)
42	394.10 Tools, Garage & Service Equipment			(27,132)
43	397 Communication Equipment			(80,592)
44	397.35 ERT Automatic Reading Dev			(35,960)
45	Total Reserve Adjustment for Amortization			(147,312)
46	<u>Leak Prone Pipe</u> ⁽¹⁾			
47	376.3 Mains - Bare Steel			464,724
48	376.8 Mains - Cast Iron			243,173
49	Total Leak Prone Pipe Amortization			707,897
50	Total Pro Forma Depreciation Expense (Line 39 + Line 45 + Line 49)			11,193,573
51	Annualized Test Year Expense ⁽²⁾			\$ 9,345,585
52	Increase in Depreciation Expense			\$ 1,847,988

Notes

(1) Refer to testimony and schedules of Mr. Allis

(2) Refer to Schedule RevReq-3-16, Page 1 of 2, Line 39

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
AMORTIZATION ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-17
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LINE NO.	(1) DESCRIPTION	(2) TOTAL
1	NU-NH Rate Year Software Amortization ⁽¹⁾	\$ 669,511
2	USC Allocated Rate Year Software Amortization ⁽²⁾	118,959
3	Total Rate Year Software Amortization	<u>788,470</u>
4	NU-NH Test Year Software Amortization ⁽³⁾	\$ 522,006
5	USC Allocated Test Year Software Amortization ⁽⁴⁾	77,176
6	Total 2020 Test Year Software Amortization	<u>599,182</u>
7	Test Year Amortization Expense Adjustment (Line 3 - Line 7)	<u>\$ 189,288</u>

Notes

- (1) Workpaper W7.2 Line 76
- (2) Workpaper W7.4 Line 20
- (3) Workpaper W7.1 Line 89
- (4) Workpaper W7.3 Line 20

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
AMORTIZATION ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-17 Revised
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) TOTAL
1	NU-NH Rate Year Software Amortization ⁽¹⁾	\$ 657,774
2	USC Allocated Rate Year Software Amortization ⁽²⁾	121,006
3	Total Rate Year Software Amortization	<u>778,780</u>
4	NU-NH Test Year Software Amortization ⁽³⁾	\$ 522,006
5	USC Allocated Test Year Software Amortization ⁽⁴⁾	77,176
6	Total 2020 Test Year Software Amortization	<u>599,182</u>
7	Test Year Amortization Expense Adjustment (Line 3 - Line 7)	<u>\$ 179,598</u>

Notes

- (1) Workpaper W7.2 Revised
- (2) Workpaper W7.4 Revised
- (3) Workpaper W7.1
- (4) Workpaper W7.3

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
EXCESS ACCUMULATED DEFERRED INCOME TAX ("ADIT") FLOW BACK
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-18
Table of Contents

<u>LINE NO.</u>	(1) <u>DESCRIPTION</u>	(2) <u>TOTAL</u>
1	Annual Amortization Expense Reduction Related to Excess ADIT Flowback ⁽¹⁾	\$ (308,218)

Notes

(1) Refer to Exhibit JAG-6

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PROPERTY TAXES
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-19
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	(1)	(2)	(3)	(4)	(5)
LINE NO.	MUNICIPALITY & STATE	TAXATION PERIOD	LOCAL TAX RATE	ASSESSED VALUATION	TOTAL TAXES ⁽¹⁾
1	Atkinson	4/1 - 3/31	\$ 16.24	1,564,100	25,401
2	Brentwood	4/1 - 3/31	\$ 21.36	1,489,600	31,818
3	Brentwood	4/1 - 3/31	\$ 23.19	400	9
4	Dover	4/1 - 3/31	\$ 24.85	1,200	30
5	Dover	4/1 - 3/31	\$ 22.92	37,150,600	851,492
6	Durham	4/1 - 3/31	\$ 25.73	7,742,400	199,212
7	East Kingston	4/1 - 3/31	\$ 20.50	746,700	15,307
8	Epping	4/1 - 3/31	\$ 23.64	1,079,900	25,529
9	Exeter	4/1 - 3/31	\$ 22.50	13,803,800	310,586
10	Greenland	4/1 - 3/31	\$ 14.58	733,400	10,693
11	Hampton--Class 4000	4/1 - 3/31	\$ 13.93	18,884,700	263,064
12	Hampton--Class 5000	4/1 - 3/31	\$ 14.43	9,301,400	134,219
13	Hampton Falls	4/1 - 3/31	\$ 19.33	36,400	704
14	Kensington	4/1 - 3/31	\$ 18.61	1,442,400	26,843
15	Madbury	4/1 - 3/31	\$ 23.41	347,000	8,123
16	Newington	4/1 - 3/31	\$ 8.02	2,848,900	22,848
17	North Hampton	4/1 - 3/31	\$ 14.80	1,822,800	26,977
18	Plaistow	4/1 - 3/31	\$ 19.60	9,849,580	193,052
19	Portsmouth	4/1 - 3/31	\$ 12.80	47,562,000	608,794
20	Rochester	4/1 - 3/31	\$ 22.67	26,840,200	608,468
21	Rollinsford	4/1 - 3/31	\$ 22.57	194,600	4,392
22	Rollinsford	4/1 - 3/31	\$ 24.68	20,000	494
23	Salem	4/1 - 3/31	\$ 19.82	9,478,700	187,867
24	Seabrook	4/1 - 3/31	\$ 13.90	12,142,100	168,775
25	Somersworth	4/1 - 3/31	\$ 25.91	9,713,200	251,669
26	Somersworth	4/1 - 3/31	\$ 27.85	62,000	1,727
27	Stratham	4/1 - 3/31	\$ 17.14	497,200	8,522
28	State Of NH ⁽²⁾	4/1 - 3/31			1,359,585
29	Total			\$ 215,355,280	\$ 5,346,199
30	Test Year Property Taxes ⁽³⁾				\$ 4,728,948
31	Less: Test Year Property Tax Abatements ⁽⁴⁾				688
32	Total Test Year Property Tax Expense				\$ 4,728,260
33	Total Property Tax Increase (Line 29 - Line 32)				\$ 617,939

Notes

- (1) Based on final 2020 property tax bills. Company will update for final 2021 property tax bills during pendency of case
- (2) Based on current estimated 2021 State Property Tax. Amount will be updated during pendency of case
- (3) Test Year Property Taxes adjusted to exclude Greenland 2019 bill correction of \$317

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PROPERTY TAXES
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-19 Revised
Table of Contents

	(1)	(2)	(3)	(4)	(5)
LINE NO.	MUNICIPALITY & STATE	TAXATION PERIOD	LOCAL TAX RATE	ASSESSED VALUATION	TOTAL TAXES ⁽¹⁾
1	Atkinson	4/1 - 3/31	\$ 10.94	1,999,400	21,873
2	Brentwood	4/1 - 3/31	\$ 20.46	1,423,000	29,115
3	Dover	4/1 - 3/31	\$ 20.08	40,155,200	806,316
4	Durham	4/1 - 3/31	\$ 25.93	7,155,300	185,537
5	East Kingston	4/1 - 3/31	\$ 20.16	714,400	14,402
6	Epping	4/1 - 3/31	\$ 20.55	4,745,700	97,524
7	Exeter	4/1 - 3/31	\$ 22.02	13,081,500	288,055
8	Greenland	4/1 - 3/31	\$ 16.73	795,800	13,314
9	Hampton--Class 4000	4/1 - 3/31	\$ 13.90	18,884,700	262,497
10	Hampton--Class 5000	4/1 - 3/31	\$ 14.69	9,301,400	136,638
11	Hampton Falls	4/1 - 3/31	\$ 19.10	91,500	1,748
12	Kensington	4/1 - 3/31	\$ 16.80	1,410,000	23,688
13	Madbury	4/1 - 3/31	\$ 23.59	336,100	7,929
14	Newington	4/1 - 3/31	\$ 8.20	2,811,000	23,050
15	North Hampton	4/1 - 3/31	\$ 14.60	1,822,800	26,613
16	Plaistow	4/1 - 3/31	\$ 17.29	9,922,000	171,551
17	Portsmouth	4/1 - 3/31	\$ 13.09	50,847,408	665,593
18	Rochester	4/1 - 3/31	\$ 22.81	34,423,000	785,188
19	Rollinsford	4/1 - 3/31	\$ 22.33	284,500	6,353
20	Salem	4/1 - 3/31	\$ 14.35	13,096,000	187,927
21	Seabrook	4/1 - 3/31	\$ 12.09	13,121,300	158,637
22	Somersworth	4/1 - 3/31	\$ 25.72	8,953,600	230,287
23	Stratham	4/1 - 3/31	\$ 16.73	539,100	9,019
24	State Of NH	4/1 - 3/31			1,370,478
25	Total			\$ 235,914,708	\$ 5,523,332
26	Test Year Property Taxes ⁽²⁾				\$ 4,728,948
27	Less: Test Year Property Tax Abatements				688
28	Total Test Year Property Tax Expense				\$ 4,728,260
29	Total Property Tax Increase (Line 25 - Line 28)				\$ 795,073

Notes

(1) Based on final 2021 property tax bills

(2) Test Year Property Taxes adjusted to exclude Greenland 2019 bill correction of \$317

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 PAYROLL TAX ADJUSTMENT - WAGE INCREASES
 12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-3-20
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LINE NO.	(1) DESCRIPTION	(2) SOCIAL SECURITY	(3) MEDICARE	(4) TOTAL
1	Increase in O&M Payroll / Compensation due to Annual Rate Increases ⁽¹⁾	\$ 554,442	\$ 554,442	
2	Payroll Tax Rates	6.20%	1.45%	
3	Increase in Payroll Taxes	\$ 34,375	\$ 8,039	\$ 42,415

Notes

(1) Refer to Schedule RevReq-3-4, Page 1 of 2

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT - WAGE INCREASES
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-20 Revised
Page 1 of 2 Revised
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) SOCIAL SECURITY	(3) MEDICARE	(4) TOTAL
1	Increase in O&M Payroll / Compensation due to Annual Rate Increases ⁽¹⁾	\$ 562,202	\$ 562,202	
2	Less Pay Increase Amounts in Excess of Taxable Limit ⁽²⁾			
3	Northern Utilities, Inc. ⁽³⁾	\$ (2,564)		
4	Unitil Service Corp. ⁽⁴⁾	\$ (24,305)		
5	O&M Payroll / Compensation Increase Subject to Payroll Taxes	<u>535,333</u>	<u>562,202</u>	
6	Payroll Tax Rates	<u>6.20%</u>	<u>1.45%</u>	
7	Increase in Payroll Taxes	<u>\$ 33,191</u>	<u>\$ 8,152</u>	<u>\$ 41,343</u>

Notes

- (1) Refer to Schedule RevReq-3-4, Page 1 of 2 Revised
- (2) 2021 Social Security Wage Limit of \$142,800
- (3) Refer to Workpaper 8.1
- (4) Refer to Workpaper 8.2

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT - EMPLOYEE RETENTION CREDIT
EMPLOYEE RETENTION CREDIT ("ERC") & FAMILY FIRST CORONAVIRUS RESPONSE ACT ("FFCRA")
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-3-20
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LINE NO.	(1) DESCRIPTION	(2) SOCIAL SECURITY
1	ERC & FFCRA - NuNH	\$ (107,364)
2	Capitalization Rate	46.69%
3	Capitalized Amount	<u>(50,128)</u>
4	Net Expense - NuNH	<u>(57,236)</u>
5	<u>Unitil Service ERC Allocated to NuNH</u>	
6	Total Unitil Service ERC	\$ (279,213)
7	NUNH Apportionment	<u>20.18%</u>
8	Expense Apportioned to NuNH	\$ (56,345)
9	Capitalization Rate	<u>32.52%</u>
10	NuNH Capitalization	<u>(18,323)</u>
11	NuNH Net ERC	<u>\$ (38,022)</u>
12	Removal of Total ERC & FFCRA from Test Year	<u>\$ 95,258</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
COMPUTATION OF FEDERAL AND STATE INCOME TAXES
12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) DESCRIPTION	(2) AMOUNT	(3) 2/15/2022 CO. UPDATE	(4) TEST YEAR AS PROFORMED
1	<u>Increases / (Decreases) To Revenue</u>			
2	Weather Normalization	\$ 1,994,374	\$ -	\$ 1,994,374
3	New Customer Revenue Annualization	278,301	-	278,301
4	Residential Low Income	264,523	-	264,523
5	Unbilled Revenue	294,543	-	294,543
6	Non-Distribution Bad Debt	(97,468)	-	(97,468)
7	Misc. Revenue Adjustment	4,788	-	4,788
8	Late Fee Adjustment	40,013	-	40,013
9	Billed Accuracy Adjustment	367	-	367
10	Special Contract Customer Revenue Adjustment	17,968	-	17,968
11	Total Revenue Adjustments	\$ 2,797,410	\$ -	\$ 2,797,410
12	<u>Increases / (Decreases) To Expenses</u>			
13	Production Expense (O&M)	\$ 76,191	\$ -	\$ 76,191
14	Payroll	554,442	7,760	562,202
15	Medical & Dental Insurances	404,594	(65,986)	338,607
16	Distribution Bad Debt	88,160	1,303	89,463
17	Non-Distribution Bad Debt	(97,468)	-	(97,468)
18	Pension	(2,185)	-	(2,185)
19	PBOP	(19,749)	-	(19,749)
20	SERP	58,798	-	58,798
21	401K	30,095	472	30,567
22	Deferred Comp Expense	44,415	-	44,415
23	Property & Liability Insurances	60,699	(9,564)	51,135
24	NH PUC Assessment	116,230	67,118	183,348
25	Dues & Subscriptions	(1,774)	-	(1,774)
26	Pandemic Costs	(107,125)	-	(107,125)
27	Severance Expense	(29,947)	-	(29,947)
28	Rent Expense	51,913	(4,549)	47,363
29	Arrearage Management Program (AMP) Implementation Cost	92,480	-	92,480
30	Inflation Allowance	165,684	-	165,684
31	Update for 2021 Lease Payments	-	17,554	17,554
32	NH DOE Audit Adjustment #4	-	(69)	(69)
33	Depreciation Annualization	469,003	-	469,003
34	Proposed Depreciation Rates	1,847,988	-	1,847,988
35	Production Expense (Depreciation)	37,865	-	37,865
36	Software Amortization	189,288	(9,689)	179,598
37	Excess ADIT Flowback	(308,218)	-	(308,218)
38	Property Taxes	617,939	177,134	795,073
39	Payroll Taxes - Wage Increases	42,415	(1,072)	41,343
40	Payroll Taxes - Employee Retention Credits	95,258	-	95,258
41	Flowthrough Net Operating Income	759,111	-	759,111
42	Change In Interest Exp (Refer To Schedule RevReq 3-21 Page 2)	(345,611)	442	(345,169)
43	Total Expense Adjustments	\$ 4,890,487	\$ 180,853	\$ 5,071,340
44	Increase / (Decrease) In Taxable Income	\$ (2,093,077)	\$ (180,853)	\$ (2,273,930)
45	Effective Federal Income Tax Rate ⁽¹⁾	19.38%	19.38%	19.38%
46	NH State Tax Rate ⁽²⁾	7.70%	7.70%	7.70%
47	<u>Federal Income & NH State Tax</u>			
48	Effective Federal Income Tax	\$ (405,701)	\$ (35,055)	\$ (440,756)
48	NH State Tax	(161,167)	(13,926)	(175,093)
49	Increase (Decrease) In Income Taxes	\$ (566,868)	\$ (48,980)	\$ (615,848)
50	<u>Notes</u>			
50	Federal Income Tax Rate	21.00%	21.00%	21.00%
51	Federal Benefit of State Tax - (Line 48 * Line 51)	-1.62%	-1.62%	-1.62%
52	(1) Effective Federal Income Tax Rate	19.38%	19.38%	19.38%
53	(2) State Income Tax Rate	7.70%	7.70%	7.70%
54	Northern New Hampshire Tax Rate (Line 50 + Line 51)	27.08%	27.08%	27.08%

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
CHANGE IN INTEREST EXPENSE APPLICABLE TO INCOME TAX COMPUTATION
12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) DESCRIPTION	(2) AMOUNT	(3) 2/15/2022 CO. UPDATE	(5) TEST YEAR AS PROFORMED
1	Rate-making Interest Synchronization			
2	Rate Base ⁽¹⁾	\$ 188,719,257	\$ 18,861	\$ 188,738,118
3	Cost Of Debt In Proposed Rate Of Return ⁽²⁾	2.34%	0.00%	2.34%
4	Interest Expense for Rate-making	\$ 4,422,286	442	4,422,728
5	Test Year Interest Expense			
6	Interest Charges (427-431)	\$ 4,767,897	\$ -	\$ 4,767,897
7	Increase / (Decrease) in Interest Expense	\$ (345,611)	\$ 442	\$ (345,169)

Notes

- (1) Refer to Schedule RevReq-5
- (2) Refer to Schedule RevReq-6

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
COMPUTATION OF FEDERAL AND STATE INCOME TAXES
12 MONTHS ENDED DECEMBER 31, 2020

LINE NO	(1) DESCRIPTION	(2) TEST YEAR ACTUAL	(3) PRO-FORMA ADJUSTMENTS	(4) TEST YEAR UTILITY
1	Net Income	\$ 6,096,270	\$ -	\$ 6,096,270
2	Federal Income Tax-Current	(19,629)	-	(19,629)
3	NH State Income Tax-Current	(380,440)	-	(380,440)
4	NH State Business Enterprise Credit Against NH BPT	63,600	-	63,600
5	Deferred Federal Income Tax	1,637,521	-	1,637,521
6	Deferred State Income Tax	962,658	-	962,658
7	Net Income Before Income Taxes	8,359,980	-	8,359,980
8	<u>Permanent Items</u>			
9	Lobbying	22,225	-	22,225
10	Parking Lot Disallowance	2,543	-	2,543
11	Penalties	2,500	-	2,500
12	Total Permanent Items	27,268	-	27,268
13	<u>Temporary Differences</u>			
14	Accrued Revenue	(3,295,760)	-	(3,295,760)
15	Bad Debt	81,370	-	81,370
16	FASB 87-Pensions	(211,016)	-	(211,016)
17	PBOP SFAS 106	96,936	-	96,936
18	Remediation	267,789	-	267,789
19	Utility Plant Differences	(5,924,514)	-	(5,924,514)
20	Total Temporary Differences	(8,985,195)	-	(8,985,195)
21	<u>Federal And State Tax Differences</u>			
22	Tax Depreciation	(2,123,819)	-	(2,123,819)
23	Total Federal And State Tax Differences	(2,123,819)	-	(2,123,819)
24	State Taxable Base Income	(2,721,766)	-	(2,721,766)
25	State Business Profits Tax - Current	(209,576)	-	(209,576)
26	Less: Business Enterprise Tax	63,600	-	63,600
27	Total State Tax Expense	(273,176)	-	(273,176)
28	Federal Taxable Income Base Before Federal And State Tax Differences	(2,512,190)	-	(2,512,190)
29	Less: Federal And State Tax Differences	(2,123,819)	-	(2,123,819)
30	Federal Taxable Income Base	(388,371)	-	(388,371)
31	Federal Income Tax-Current	(81,558)	-	(81,558)
32	<u>Summary Of Utility Income Taxes:</u>			
33	Federal Income Tax-Current	(92,140)	-	(92,140)
34	Federal Income Tax-Prior	49,634	-	49,634
35	Federal Income Tax-NOL	12,295	-	12,295
36	Federal Amount To Non-Distribution Operations	10,582	(10,582)	-
37	State Business Profits Tax-Current	(277,380)	-	(277,380)
38	State Business Profits Tax-Prior	834,820	-	834,820
39	State Business Profits Tax-NOL	(942,084)	-	(942,084)
40	State Amount To Non-Distribution Operations	4,204	(4,204)	-
41	Deferred Federal Income Tax	1,707,258	-	1,707,258
42	Deferred Federal Income Tax-Prior	(57,442)	-	(57,442)
43	Deferred Federal Income Tax-NOL	(12,295)	-	(12,295)
44	Deferred State Business Profits Tax	855,394	-	855,394
45	Deferred State Business Profits Tax-Prior	(834,820)	-	(834,820)
46	Deferred State Business Profits Tax-NOL	942,084	-	942,084
47	Total Income Taxes	\$ 2,200,110	\$ (14,786)	\$ 2,185,324

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PRIOR YEAR INCOME TAXES
12 MONTHS ENDED DECEMBER 31, 2020**

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	(1)	(2)
LINE NO	DESCRIPTION	ACTUAL
1	Remove Prior Year Federal Income Taxes	\$ (49,634)
2	Remove Prior Year State Income Taxes	(834,820)
3	Remove Prior Year Deferred Federal Income Taxes	57,442
4	Remove Prior Year Deferred State Income Taxes	834,820
5	Total	<u>\$ 7,808</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 NEW HAMPSHIRE DOE AUDIT ADJUSTMENTS & OTHER
 12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) DESCRIPTION	(2) AMOUNT
1	<u>Audit Issue #4</u> ⁽¹⁾	
2	Audit Issue #4 Reduction (Inadvertent Allocator Used)	\$ (69)
3	<u>Lease Payment Increase</u> ⁽²⁾	
4	2020 Lease Payments	\$ 211,251
5	2021 Lease Payments	228,806
6	Lease Payment Increase	\$ 17,554

Notes:
 (1) Refer to NHDOE Audit Report, Page 148
 (2) Refer to Energy 4-28

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
ASSETS & DEFERRED CHARGES
12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) Category	(3) New Hampshire	(2) Maine	(4) Common	(5) Consolidated December 31, 2020	(6) Consolidated December 31, 2019	(7) Consolidated December 31, 2018
1	<u>Gas Plant</u>						
2	In Service	\$ 299,372,252	\$ 390,755,625	\$ -	\$ 690,127,877	\$ 623,207,033	\$ 560,519,339
3	Construction Work in Progress	6,411,145	6,890,804	-	13,301,949	12,576,742	11,064,887
4	Less: Reserve for Depreciation	(88,023,262)	(87,391,662)	-	(175,414,925)	(143,066,942)	(131,806,854)
5	Total Gas Plant	217,760,135	310,254,767	-	528,014,901	492,716,833	439,777,371
6	<u>Other Property</u>						
7	Total Other Net Property	-	86,855	-	86,855	29,819	(24,914)
8	Total Other & Non Operating Plant	-	86,855	-	86,855	29,819	(24,914)
9	<u>Current Assets</u>						
10	Cash	1,500	250	370,260	372,010	341,847	672,243
11	Accounts Receivable - Gas	9,102,182	14,492,785	-	23,594,967	21,416,443	28,512,317
12	Accounts Receivable - Other	181,592	14,495	3,377	199,464	154,773	34,597
13	Uncollectible Accounts	(294,933)	(863,075)	-	(1,158,008)	(441,588)	(836,962)
14	Notes Receivable	-	-	8,913,185	8,913,185	5,559,766	3,137,369
15	Material and Supplies	2,416,575	2,048,155	-	4,464,730	4,162,206	3,892,225
16	Stores Expense Undistributed	356,883	351,217	-	708,100	655,826	481,856
17	Inventory	267,731	40,348	-	308,079	448,104	391,250
18	Prepayments	963,040	1,128,283	70,044	2,161,367	4,450,029	3,400,561
19	Accrued Revenue	3,803,680	4,731,203	-	8,534,883	9,587,864	8,319,787
20	Miscellaneous Current Assets	4,530,525	93,747	-	4,624,272	5,666,176	7,622,013
21	Total Current Assets	21,328,775	22,037,408	9,356,866	52,723,049	52,001,444	55,627,256
22	<u>Deferred Charges</u>						
23	Unamortized Debt Expense	-	-	1,359,851	1,359,851	1,208,586	1,092,517
24	Other - Deferred Debits	13,872,478	20,353,943	98,736	34,325,157	27,066,138	32,928,903
25	Total Deferred Charges	13,872,478	20,353,943	1,458,587	35,685,008	28,274,724	34,021,420
26	Total Assets & Deferred Charges	\$ 252,961,387	\$ 352,732,973	\$ 10,815,453	\$ 616,509,813	\$ 573,022,820	\$ 529,401,133

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
STOCKHOLDERS EQUITY & LIABILITIES
12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) Category	(3) New Hampshire	(2) Maine	(4) Common	(5) Consolidated December 31, 2020	(6) Consolidated December 31, 2019	(7) Consolidated December 31, 2018
1	<u>Capitalization</u>						
2	Common Stock	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
3	Paid in Capital	-	-	207,074,000	207,074,000	200,699,000	175,199,000
4	Earned Surplus	6,096,270	8,643,131	9,713,702	24,453,103	24,380,042	22,032,465
5	Stockholders Equity	6,096,270	8,643,131	216,788,702	231,528,103	225,080,042	197,232,465
6	<u>Long Term Debt</u>						
7	Bonds and Notes	-	-	230,000,000	230,000,000	198,200,000	166,600,000
8	Total	-	-	230,000,000	230,000,000	198,200,000	166,600,000
9	<u>Current and Accrued Liabilities</u>						
10	Accounts Payable	639,411	538,256	6,001,159	7,178,826	8,651,894	10,471,212
11	Notes Payable to Associated Co.	-	-	26,747,022	26,747,022	28,494,680	58,154,005
12	A/P to Associated Co's	-	-	7,400,409	7,400,409	6,497,178	3,145,273
13	Customer Deposits	249,677	342,624	-	592,301	640,562	738,651
14	Taxes Accrued	67,648	(4,613)	-	63,035	292,534	14,450
15	Interest Accrued	-	-	2,094,467	2,094,467	1,824,919	1,503,714
16	Dividends Declared	-	-	3,666,585	3,666,585	3,304,600	1,229,300
17	Other Tax Liabilities	750,955	(609,964)	33,532	174,523	94,759	130,422
18	Other Current and Accrued Liabilities	811,427	576,546	7,636,657	9,024,630	11,636,693	15,472,163
19	Total Current and Accrued Liabilities	2,519,118	842,849	53,579,831	56,941,798	61,437,819	90,859,190
20	<u>Deferred Credits</u>						
21	Other Deferred Credits	18,639,799	21,537,277	-	40,177,076	35,921,434	27,893,528
22	Other Regulatory Liabilities	6,608,392	8,917,471	-	15,525,863	15,874,493	15,992,896
23	Accumulated Deferred Income Taxes	16,892,861	25,444,116	-	42,336,977	36,509,031	30,823,054
24	Total Deferred Credits	42,141,052	55,898,864	-	98,039,916	88,304,958	74,709,478
25	Total Stockholders Equity & Liabilities	\$ 50,756,440	\$ 65,384,844	\$ 500,368,533	\$ 616,509,817	\$ 573,022,819	\$ 529,401,133

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 UTILITY PLANT IN SERVICE
 12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) Account Name	(2) CAPITAL 1/1	(3) ADDITIONS	(4) RETIREMENTS	(5) TRANSFER ADJ	(6) PLANT IN SERVICE 12/31	(7) COMPLETED CONSTRUCTION NOT CLASSIFIED 12/31
1	Amortizable Plant:						
2	303 Misc Intangible Plant	\$ 11,262,452	\$ 960,046	\$ -	\$ -	12,222,498	\$ 603,849
3	Total Amortizable Plant	11,262,452	960,046	-	-	12,222,498	603,849
4	Mfg. Gas Produc. Plant:						
5	304.2 Land & Rights - Mfg Gas Prod. Pl	6,816	-	-	-	6,816	-
6	305 Struct. And Improvements	161,860	-	(75,459)	(86,401)	-	-
7	320 Other Equipment	7,640	-	(7,006)	(634)	-	-
8	321 LNG Equipment	84,156	-	(84,156)	-	-	-
9	Total Mfg Gas Prod. Plant	260,472	-	(166,621)	(87,035)	6,816	-
10	Distribution Plant:						
11	374.4 Land Rgts, Other Distr Sy	89,111	-	-	-	89,111	-
12	374.5 Land Rgts, Rights Of Way	17,911	-	-	-	17,911	-
13	375.2 Structures - City Gate Meas & Reg	45,256	-	(1,906)	-	43,350	-
14	375.7 Structures - Other Dist Sys	3,124,357	4,495	-	87,035	3,215,887	1,634
15	376.2 Mains - Coated/Wrapped	24,602,506	5,182,813	(78,525)	-	29,706,795	39,433
16	376.3 Mains - Bare Steel	190,837	-	-	-	190,837	-
17	376.4 Mains - Plastic	104,050,393	9,284,825	(600,390)	-	112,734,828	7,607,356
18	376.5 Mains - Joint Seals	542,145	-	-	-	542,145	-
19	376.6 Mains - Cathodic Protection	1,005,475	54,885	-	-	1,060,360	22,380
20	376.8 Mains - Cast Iron	28,455	-	-	-	28,455	-
21	378.2 Mea & Reg Station Eq, Regulating	4,400,294	3,002,141	(279,719)	-	7,122,716	166,266
22	379 Mea & Reg Ta-G	39,266	-	-	-	39,266	-
23	380 Services	74,470,438	5,463,157	(87,804)	-	79,845,791	2,991,256
24	381 Meters	4,086,446	493,715	(241,099)	-	4,339,063	285,548
25	382 Meter Installations	23,126,115	2,038,526	(1,108,186)	-	24,056,455	1,945,231
26	383 House Regulators	685,777	43,536	-	-	729,313	4,237
27	386 Water Heaters/Conversion Burners	1,823,459	159,350	(88,909)	-	1,893,900	84,996
28	Total Distribution Plant	242,328,242	25,727,443	(2,486,538)	87,035	265,656,182	13,148,334
29	General Plant:						
30	389-1 Land	232,947	-	-	-	232,947	-
31	391.10 Off Furn & Eq.- Unspecified	431,834	65,465	-	-	497,299	10,836
32	393 Stores Equipment	31,520	-	-	-	31,520	-
33	394.10 Tools, Garage & Service Equipment	1,314,945	54,709	-	-	1,369,654	60,767
34	396 Power Operated Equipment	75,266	-	-	-	75,266	-
35	397 Communication Equipment	1,639,792	237,572	(37,264)	-	1,840,100	33,380
36	397.25 Comm EQ, Metscan/Telemet	112,656	-	-	-	112,656	-
37	397.35 ERT Automatic Reading Dev-G	3,126,899	212,363	-	-	3,339,262	130,884
38	Total General Plant	6,965,859	570,110	(37,264)	-	7,498,705	235,867
39	Total Plant in Service	\$ 260,817,025	\$ 27,257,599	\$ (2,690,423)	\$ (0)	\$ 285,384,202	\$ 13,988,050

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
ACCUMULATED DEPRECIATION & AMORTIZATION
12 MONTHS ENDED DECEMBER 31, 2020

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LINE NO.	(1) Account Name	(2) RESERVE BALANCE 1/1	(3) RETIREMENTS	(4) TRANSFER ADJ	(5) COST OF REMOVAL	(6) SALVAGE	(7) DEPRECIATION	(8) RESERVE BALANCE 12/31
1	Amortizable Plant:							
2	303 Misc Intangible Plant	\$ 4,080,484	\$ -	\$ -	\$ -	\$ -	\$ 816,977	\$ 4,897,461
3	Total Amortizable Plant	4,080,484	-	-	-	-	816,977	4,897,461
4	Mfg. Gas Produc. Plant:							
5	305 Struct. And Improvements	129,465	(75,459)	(54,380)	-	-	-	(374)
6	320 Other Equipment	2,756	(7,006)	(188)	-	-	-	(4,438)
7	321 LNG Equipment	56,611	(84,156)	-	-	-	-	(27,544)
8	Total Mfg Gas Prod. Plant	188,832	(166,621)	(54,568)	-	-	-	(32,357)
9	Distribution Plant:							
10	375.2 Structures - City Gate Meas & Reg	23,676	(1,906)	-	(144,400)	-	636	(121,994)
11	375.7 Structures - Other Dist Sys	618,738	-	54,568	-	-	44,850	718,156
12	376.2 Mains - Coated/Wrapped	3,615,660	(78,525)	-	(96,639)	-	783,669	4,224,164
13	376.3 Mains - Bare Steel	(2,132,784)	-	-	-	-	-	(2,132,784)
14	376.4 Mains - Plastic	33,956,974	(600,390)	-	(220,844)	-	3,247,143	36,382,883
15	376.5 Mains - Joint Seals	542,145	-	-	-	-	-	542,145
16	376.6 Mains - Cathodic Protection	638,564	-	-	-	-	44,096	682,660
17	376.8 Mains - Cast Iron	(1,187,409)	-	-	-	-	-	(1,187,409)
18	378.2 Mea & Reg Station Eq, Regulating	988,517	(279,719)	-	(272,577)	-	230,155	666,376
19	379 Mea & Reg Ta-G	5,058	-	-	-	-	1,374	6,432
20	380 Services	25,894,274	(87,804)	-	(227,967)	-	2,900,993	28,479,497
21	381 Meters	1,376,120	(241,099)	-	(52,894)	-	144,485	1,226,613
22	382 Meter Installations	7,216,618	(1,108,186)	-	(94,033)	-	844,898	6,859,297
23	383 House Regulators	188,268	-	-	-	-	24,134	212,402
24	386 Water Heaters/Conversion Burners	941,396	(88,909)	-	(13,917)	11,358	109,637	959,565
25	Total Distribution Plant	72,685,816	(2,486,538)	54,568	(1,123,270)	11,358	8,376,070	77,518,004
26	General Plant:							
27	391.10 Off Furn & Eq.- Unspecified	256,028	-	-	-	-	42,050	298,078
28	393 Stores Equipment	31,511	-	-	-	-	-	31,511
29	394.10 Tools, Garage & Service Equipment	713,214	-	-	-	-	72,528	785,741
30	396 Power Operated Equipment	75,266	-	-	-	-	-	75,266
31	397 Communication Equipment	1,453,916	(37,264)	-	(5,020)	-	158,970	1,570,602
32	397.25 Comm EQ, Metscan/Telemet	112,656	-	-	-	-	-	112,656
33	397.35 Comm EQ, Itron Equip	2,550,675	-	-	(11,340)	-	226,965	2,766,299
34	Total General Plant	5,193,266	(37,264)	-	(16,360)	-	500,512	5,640,154
4	Total Accumulated Depreciation & Amortization	\$ 82,148,399	\$ (2,690,423)	\$ -	\$ (1,139,630)	\$ 11,358	\$ 9,693,559	\$ 88,023,263

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE BASE
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-5
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LINE NO.	(1) DESCRIPTION	(3) TEST YEAR AVERAGE ⁽¹⁾	(4) 5 QUARTER AVERAGE	(5) RATE BASE AT DECEMBER 31, 2020	(6) PRO FORMA ADJUSTMENTS	(7) PRO FORMA RATE BASE AT DECEMBER 31, 2020
1	Utility Plant In Service	\$ 289,824,481	\$ 286,491,423	\$ 299,372,252	\$ 1,873,246	\$ 301,245,498
2	Less: Reserve for Depreciation	85,085,831	85,651,383	88,023,262	1,350,190	89,373,452
3	Net Utility Plant	204,738,650	200,840,040	211,348,990	523,056	211,872,045
4	Add: M&S Inventories	2,671,150	2,770,028	2,773,457	-	2,773,457
5	Prepayments	740,275	1,213,708	64,895	-	64,895
6	Cash Working Capital ⁽²⁾	1,773,194	1,773,194	1,773,194	254,052	2,027,246
7	Sub-Total	5,184,619	5,756,930	4,611,547	254,052	4,865,599
8	Less: Net Deferred Income Taxes	\$ 20,221,877	\$ 20,784,379	\$ 21,177,756	\$ -	\$ 21,177,756
9	Excess Deferred Income Taxes	6,572,092	6,572,092	6,572,092	-	6,572,092
10	Customer Advances	-	-	-	-	-
11	Customers Deposits	269,548	264,461	249,677	-	249,677
12	Sub-Total	27,063,517	27,620,932	27,999,526	-	27,999,526
13	Rate Base	\$ 182,859,752	\$ 178,976,038	\$ 187,961,010	\$ 777,108	\$ 188,738,118
14	Net Operating Income Applicable To Rate Base	\$ 10,066,533	\$ 10,066,533	\$ 10,066,533		\$ 8,814,586
15	Rate of Return	5.51%	5.62%	5.36%		4.67%

Notes

(1) Two Point Average

(2) Computed Working Capital Based on Test Year O&M Expenses. Refer to Schedule RevReq-5-2

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE BASE ITEMS
QUARTERLY BALANCES

Schedule RevReq-5-1
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) DECEMBER 31 2019	(3) MARCH 31 2020	(4) JUNE 30 2020	(5) SEPTEMBER 30 2020	(6) DECEMBER 31 2020	(7) 5 QUARTER AVERAGE
1	Utility Plant in Service						
2	Plant In Service	\$ 260,817,025	\$ 266,498,877	\$ 269,468,172	\$ 272,008,852	\$ 285,384,202	\$ 270,835,426
3	Completed Construction not Classified	19,459,684	16,390,088	14,114,541	14,327,620	13,988,050	15,655,997
4	Total Utility Plant in Service	<u>280,276,709</u>	<u>282,888,965</u>	<u>283,582,713</u>	<u>286,336,471</u>	<u>299,372,252</u>	<u>286,491,423</u>
5	Depreciation Reserve	\$ (82,148,399)	\$ (84,295,016)	\$ (86,310,091)	\$ (87,480,144)	\$ (88,023,262)	\$ (85,651,383)
6	Add:						
7	M&S Inventories						
8	Material and Supplies	\$ 2,268,328	\$ 2,387,075	\$ 2,514,326	\$ 2,569,166	\$ 2,416,575	\$ 2,431,094
9	Stores Expense Undistributed	300,515	417,170	334,238	285,865	356,883	338,934
10	Total M&S Inventories	<u>\$ 2,568,843</u>	<u>\$ 2,804,245</u>	<u>\$ 2,848,563</u>	<u>\$ 2,855,032</u>	<u>\$ 2,773,457</u>	<u>\$ 2,770,028</u>
11	Prepayments	\$ 1,415,655	\$ 1,415,655	\$ 1,415,655	\$ 1,756,682	\$ 64,895	\$ 1,213,708
12	Cash Working Capital	\$ 1,773,194	\$ 1,773,194	\$ 1,773,194	\$ 1,773,194	\$ 1,773,194	\$ 1,773,194
13	Less:						
14	Total Deferred Income Taxes						
15	Def Inc Tax - Accel Depr	\$ 20,062,817	\$ 22,388,845	\$ 22,014,104	\$ 21,283,095	\$ 22,009,122	\$ 21,551,597
16	Def Inc Tax - FAS 87 / 106	(775,910)	(788,563)	(774,047)	(591,877)	(788,419)	(743,763)
17	Def Inc Tax - Bad Debt	(19,095)	(26,052)	(10,935)	(10,989)	(41,133)	(21,641)
18	Def Inc Tax - Def Rate Case Costs	0	0	0	0	0	-
19	Def Inc Tax - Insurance Claim	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)	(1,814)
20	Total Deferred Income Taxes	<u>\$ 19,265,998</u>	<u>\$ 21,572,415</u>	<u>\$ 21,227,308</u>	<u>\$ 20,678,415</u>	<u>\$ 21,177,756</u>	<u>\$ 20,784,379</u>
21	Less: Excess Deferred Income Taxes	\$ 6,572,092	\$ 6,572,092	\$ 6,572,092	\$ 6,572,092	\$ 6,572,092	\$ 6,572,092
22	Less: Customer Advances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Less: Customer Deposits	\$ 289,419	\$ 269,680	\$ 263,516	\$ 250,011	\$ 249,677	\$ 264,461
24	Rate Base	<u>\$ 177,758,493</u>	<u>\$ 176,172,855</u>	<u>\$ 175,247,118</u>	<u>\$ 177,740,716</u>	<u>\$ 187,961,010</u>	<u>\$ 178,976,038</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
CASH WORKING CAPITAL
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-5-2
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) REFERENCE	(3) TEST YEAR ACTUAL	(4) PRO FORMA ADJUSTMENTS	(5) 2/15/2022 CO. UPDATE	(6) TEST YEAR PRO FORMA
1	Distribution O&M Expense	Schedule RevReq-2	\$ 13,332,381	\$ 946,840	\$ 12,736	\$ 14,291,957
2	Tax Expense	Schedule RevReq-2	4,452,919	1,412,146	176,440	6,041,505
3	Total		\$ 17,785,300	\$ 2,358,986	\$ 189,176	\$ 20,333,462
4	Cash Working Capital Requirement:					
5	Other O&M Expense Days Lag (1) / 366	36 days	9.97%	9.97%	9.97%	9.97%
6	Total Cash Working Capital	Line 5 X Line 3	\$ 1,773,194	\$ 235,191	\$ 18,861	\$ 2,027,246

Notes

(1) Refer to Lead-Lag Study in Direct Testimony of Daniel Hurstak

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
SUPPLEMENTAL PLANT PRO FORMA ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-5-3
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) BALANCE 12/31/2020
1	Plant In Service:	
2	<u>New Hampshire</u>	
3	304 Land - Barberry Lane	\$ 6,816
4	Total NH	\$ 6,816
5	<u>Maine</u>	
6	360 Land - Lewiston	\$ 58,301
7	361 Structures & Improvements	568,201
8	362 Gas Holders	3,878,347
9	363 Other Equipment	87,313
10	Total ME	\$ 4,592,161
11	Total Plant In Service NH And ME	\$ 4,598,977
12	NH Allocation Via Annual Proportional Responsibility Factor	40.88% \$ 1,880,062
13	ME Allocation Via Annual Proportional Responsibility Factor	59.12% \$ 2,718,915
14	Depreciation Reserve:	
15	<u>New Hampshire</u>	
16	Total NH	\$ -
17	<u>Maine</u>	
18	361 Structures & Improvements	\$ 267,178
19	362 Gas Holders	2,943,652
20	363 Other Equipment	91,983
21	Total ME	\$ 3,302,812
22	Total Depreciation Reserve NH And ME	\$ 3,302,812
23	NH Allocation Via Annual Proportional Responsibility Factor	40.88% \$ 1,350,190
24	ME Allocation Via Annual Proportional Responsibility Factor	59.12% \$ 1,952,623
25	Supplemental Plant Adjustment	
26	NH Supplemental Plant Adjustment (Line 12 - Line 4)	\$ 1,873,246
27	ME Supplemental Plant Adjustment (Line 13 - Line 10)	\$ (1,873,246)
28	Supplemental Depreciation Reserve Adjustment	
29	NH Supplemental Plant Adjustment (Line 23 - Line 16)	\$ 1,350,190
30	ME Supplemental Plant Adjustment (Line 24 - Line 21)	\$ (1,350,190)

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
DEFERRED INCOME TAX PRO FORMA ADJUSTMENT
SETTLEMENT ADJUSTMENT PURSUANT TO DOCKET 2008-155
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-5-4
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) DECEMBER 31 2020
1	Nisource Original Plant Federal and State DIT Basis	\$ 4,053,514
2	Unitil Acquired Plant Federal and State DIT Basis	5,319,173
3	Greater of Line 1 or Line 2 to be Utilized as DIT Basis per Stipulation	<u>\$ 5,319,173</u>
4	Post-Acquisition Capital Expenditures Federal and State DIT Basis	\$ 29,619,418
5	Net Operating Loss DIT Related to Rate Base at 12/31/20	(12,929,468)
6	Total Plant and Capex Federal and State DIT to be Used in Rate Base (Line 3 + Line 4 + Line 5)	<u>\$ 22,009,122</u>
7	Less Test Year: Def Inc Tax - Accel Depr	<u>22,009,122</u>
8	Required Pro Forma Adjustment (Line 6 - Line 7)	<u>\$ -</u>

NORTHERN UTILITIES, INC.
WEIGHTED AVERAGE COST OF CAPITAL
5 QUARTER AVERAGE ENDED DECEMBER 31, 2020 PRO FORMA

Schedule RevReq-6
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) AMOUNT	(3) PROFORMA ADJUSTMENT	(4) PROFORMED AMOUNT	(5) WEIGHT	(6) COST OF CAPITAL	(7) WEIGHTED COST OF CAPITAL	(8) REFERENCE
1	Common Stock Equity	\$ 229,204,938	\$ -	\$ 229,204,938	52.47%	10.30%	5.40%	Schedule RevReq 6-1 and 6-2
2	Preferred Stock Equity	-	-	-	0.00%	0.00%	0.00%	Schedule RevReq 6-1 and 6-3
3	Long Term Debt	207,640,000	-	207,640,000	47.53%	4.93%	2.34%	Schedule RevReq 6-1 and 6-4
4	Short Term Debt	-	-	-	0.00%	1.69%	0.00%	Schedule RevReq 6-1 and 6-5
5	Total	<u>\$ 436,844,938</u>	<u>\$ -</u>	<u>\$ 436,844,938</u>	<u>100.00%</u>		<u>7.75%</u>	

NORTHERN UTILITIES, INC.
CAPITAL STRUCTURE FOR RATEMAKING PURPOSES
5-QUARTER AVERAGE ENDED DECEMBER 31, 2020 PRO FORMA

Schedule RevReq-6-1
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) DECEMBER 31 2019	(3) MARCH 31 2020	(4) JUNE 30 2020	(5) SEPTEMBER 30 2020	(6) DECEMBER 31 2020	(7) 5 QUARTER AVERAGE	(3) PROFORMA ADJUSTMENT	(8) PROFORMA AMOUNT
1	Common Stock Equity								
2	Common Stock	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
3	Misc. Paid In Capital	200,699,000	200,699,000	205,699,000	205,699,000	207,074,000	203,974,000	-	203,974,000
4	Retained Earnings	<u>24,380,042</u>	<u>29,943,726</u>	<u>26,634,154</u>	<u>20,738,662</u>	<u>24,453,104</u>	<u>25,229,938</u>	-	<u>25,229,938</u>
5	Total Common Stock Equity	225,080,042	230,643,726	232,334,154	226,438,662	231,528,104	229,204,938	-	229,204,938
6	Preferred Stock Equity	-	-	-	-	-	-	-	-
7	Long-Term Debt	198,200,000	190,000,000	190,000,000	230,000,000	230,000,000	207,640,000	-	207,640,000
8	Short-Term Debt ⁽¹⁾	-	-	-	-	-	-	-	-
9	Total	<u>\$ 423,280,042</u>	<u>\$ 420,643,726</u>	<u>\$ 422,334,154</u>	<u>\$ 456,438,662</u>	<u>\$ 461,528,104</u>	<u>\$ 436,844,938</u>	<u>\$ -</u>	<u>\$ 436,844,938</u>
10	Capital Structure Ratios								
11	Common Stock Equity	53.18%	54.83%	55.01%	49.61%	50.17%	52.47%		52.47%
12	Preferred Stock Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%
13	Long-Term Debt	46.82%	45.17%	44.99%	50.39%	49.83%	47.53%		47.53%
14	Short-Term Debt ⁽¹⁾	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>		<u>0.00%</u>
15	Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>

Notes

(1) For ratemaking purposes the Company has imputed zero short-term debt

**NORTHERN UTILITIES, INC.
COST OF COMMON EQUITY CAPITAL
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-6-2
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**THE INFORMATION CONCERNING THE COST OF COMMON EQUITY CAPITAL IS PROVIDED
IN THE TESTIMONY AND EXHIBITS OF MR. JOHN COCHRANE**

**NORTHERN UTILITIES, INC.
WEIGHTED AVERAGE COST OF PREFERRED STOCK
12 MONTHS ENDED DECEMBER 31, 2020**

**Schedule RevReq-6-3
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NORTHERN UTILITIES, INC. DOES NOT HAVE PREFERRED STOCK OUTSTANDING

NORTHERN UTILITIES, INC.
WEIGHTED AVERAGE COST OF LONG-TERM DEBT
DECEMBER 31, 2020 PRO FORMA

Schedule RevReq-6-4
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
LINE NO.	ISSUE	DATE ISSUED	TERM	FACE VALUE	OUTSTANDING AMOUNT	PROFORMA ADJUSTMENT	PROFORMED OUTSTANDING AMOUNT	ISSUANCE COSTS	NET PROCEEDS RATIO [(5)-(9)/(5)]	UNAMORTIZED ISSUANCE COSTS	NET PROCEEDS OUTSTANDING (8)-(11)	ANNUAL ISSUANCE COST	ANNUAL INTEREST COST Rate * (8)	TOTAL ANNUAL COST (13)+(14)	COST RATE BASED ON NET PROCEEDS (15)/[(8)-(11)]
1	7.72% Sr. Notes	12/3/2008	30 Yrs	\$ 50,000,000	\$ 50,000,000	\$ -	\$ 50,000,000	\$ 435,899	99.13%	\$ 260,401	\$ 49,739,599	\$ 14,534	\$ 3,860,000	\$ 3,874,534	7.79%
2	4.42% Sr. Notes	10/15/2014	30 Yrs	50,000,000	50,000,000	-	50,000,000	482,981	99.03%	383,031	49,616,969	16,099	2,210,000	2,226,099	4.49%
3	3.52% Sr. Notes	11/1/2017	10 Yrs	20,000,000	20,000,000	-	20,000,000	148,352	99.26%	101,374	19,898,626	14,835	704,000	718,835	3.61%
4	4.32% Sr. Notes	11/1/2017	30 Yrs	30,000,000	30,000,000	-	30,000,000	222,528	99.26%	199,039	29,800,961	7,418	1,296,000	1,303,418	4.37%
5	4.04% Sr. Notes	9/12/2019	30 Yrs	40,000,000	40,000,000	-	40,000,000	208,040	99.48%	225,229	39,774,771	6,954	1,616,000	1,622,954	4.08%
6	3.78% Sr. Notes	9/15/2020	20 Yrs	40,000,000	40,000,000	-	40,000,000	227,434	99.43%	190,778	39,809,222	11,372	1,512,000	1,523,372	3.83%
7	Total			\$ 230,000,000	\$ 230,000,000	\$ -	\$ 230,000,000	\$ 1,725,233		\$ 1,359,851	\$ 228,640,149	\$ 71,212	\$ 11,198,000	\$ 11,269,212	4.93%

NORTHERN UTILITIES, INC.
COST OF SHORT-TERM DEBT
12 MONTHS ENDED DECEMBER 31, 2020

Schedule RevReq-6-5
Table of Contents

LINE NO.	(1) MONTH	(2) MONTH-END AMOUNT OUTSTANDING	(3) AVERAGE DAILY BORROWINGS	(4) MONTHLY SHORT-TERM INTEREST	(5) INTEREST RATE ⁽¹⁾
1	January 2020	28,666,840	\$ 25,109,148	\$ 60,854	2.86%
2	February 2020	24,794,114	23,351,619	52,155	2.82%
3	March 2020	28,316,841	27,127,612	49,312	2.15%
4	April 2020	27,939,753	25,053,060	39,502	1.92%
5	May 2020	26,822,898	25,283,108	29,299	1.37%
6	June 2020	25,298,270	24,327,028	26,512	1.33%
7	July 2020	33,152,219	29,181,116	32,655	1.32%
8	August 2020	37,754,315	34,429,766	38,141	1.31%
9	September 2020	4,906,721	20,504,100	21,844	1.30%
10	October 2020	18,132,923	9,559,681	10,476	1.29%
11	November 2020	22,751,664	19,566,665	20,656	1.29%
12	December 2020	26,747,022	<u>24,606,907</u>	27,020	<u>1.30%</u>
13	Average for the Year		<u>24,008,317</u>		<u>1.69%</u>

Notes

(1) The Interest Rate is calculated as follows: [Column (4) / # of days in month * 366] / Column (3).

**NORTHERN UTILITIES, INC.
HISTORICAL CAPITAL STRUCTURE
DECEMBER 31, 201X**

**Schedule RevReq-6-6
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LINE NO.	(1) DESCRIPTION	(2)	(3)	(4)	(5)	(6)
		2015	2016	2017	2018	2019
1	Common Stock Equity	\$ 123,556,063	\$ 155,183,729	\$ 191,323,791	\$ 197,232,465	\$ 225,080,042
2	Preferred Stock Equity	-	-	-	-	-
3	Long-Term Debt	<u>155,000,000</u>	<u>145,000,000</u>	<u>185,000,000</u>	<u>166,600,000</u>	<u>198,200,000</u>
4	Total	<u>\$ 278,556,063</u>	<u>\$ 300,183,729</u>	<u>\$ 376,323,791</u>	<u>\$ 363,832,465</u>	<u>\$ 423,280,042</u>
5	Short-Term Debt (Year-End)	17,820,632	36,977,214	2,994,930	58,154,005	28,494,680

**NORTHERN UTILITIES, INC.
HISTORICAL CAPITALIZATION RATIOS
DECEMBER 31, 201X**

**Schedule RevReq-6-7
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LINE NO.	(1) DESCRIPTION	(2) 2015	(3) 2016	(4) 2017	(5) 2018	(6) 2019
1	Common Stock Equity	44.36%	51.70%	50.84%	54.21%	53.18%
2	Preferred Stock Equity	0.00%	0.00%	0.00%	0.00%	0.00%
3	Long-Term Debt	55.64%	48.30%	49.16%	45.79%	46.82%
4	Total	100.00%	100.00%	100.00%	100.00%	100.00%

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
WORKPAPERS SUPPORTING REVENUE REQUIREMENT
12 MONTHS ENDED DECEMBER 31, 2020**

Northern Utilities, Inc.
Gas Inc Stmt - NH - YTD
R_NU_4_BF_NH

Workpaper - Income Statement
Schedule 4 NH
4/20/2021
10:26:24 AM
For Periods Ending December 31, 2020

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	2019 Base	2019 Flowthru	Total	2020 Base	2020 Flowthru	Total
OPERATING REVENUES						
Sales:						
Residential (480)	19,612,987	14,904,240	34,517,227	19,232,153	10,809,182	30,041,335
General Service (481)	11,028,771	17,278,063	28,306,834	10,623,702	11,698,198	22,321,900
Firm Transport Revenues (484, 489) (External Sup)	8,612,979	1,216,889	9,829,867	8,583,266	1,156,548	9,739,814
Sales for Resale (483)	-	2,870,979	2,870,979	-	1,107,459	1,107,459
Other Sales (495)	236,169	(3,751,608)	(3,515,439)	(201,864)	2,446,481	2,244,617
Total Sales	39,490,906	32,518,563	72,009,468	38,237,257	27,217,869	65,455,125
Other Operating Revenues:						
Late Charge (487)	76,773	-	76,773	36,761	-	36,761
Misc. Service Revenues (488)	875,755	-	875,755	852,304	-	852,304
Rent from Property (493 & 457)	200,952	-	200,952	218,628	-	218,628
Other Revenues	-	(311,587)	(311,587)	-	120,656	120,656
Total Other Operating Revenues	1,153,480	(311,587)	841,893	1,107,692	120,656	1,228,348
TOTAL OPERATING REVENUES	40,644,386	32,206,975	72,851,361	39,344,949	27,338,525	66,683,473
OPERATING EXPENSES						
Operation & Maint. Expenses:						
Production (710-813)	477,446	27,749,285	28,226,731	449,736	23,095,124	23,544,860
Transmission (850-857)	72,713	-	72,713	63,829	-	63,829
Distribution (870-894) (586)	3,509,448	-	3,509,448	3,733,377	-	3,733,377
Cust. Accounting (901-905)	2,580,251	188,507	2,768,758	2,508,645	99,544	2,608,189
Cust. Service & Info (906-910)	71,870	2,247,505	2,319,375	73,074	2,268,632	2,341,706
Sales Expenses (911-916)	64,467	-	64,467	69,178	-	69,178
Admin. & General (920-935)	7,607,751	71,540	7,679,291	6,682,552	58,225	6,740,777
Total O & M Expenses	14,383,947	30,256,837	44,640,784	13,580,391	25,521,524	39,101,915
Other Operating Expenses:						
Deprtn. & Amort. (403-407)	8,884,559	120,384	9,004,943	9,693,559	(0)	9,693,559
Taxes-Other Than Inc. (408)	4,306,298	-	4,306,298	4,867,774	-	4,867,774
Federal Income Tax (409)	52,380	-	52,380	(30,211)	-	(30,211)
State Franchise Tax (409)	(309,547)	-	(309,547)	(384,644)	-	(384,644)
Def. Income Taxes (410,411)	2,975,683	-	2,975,683	2,600,179	-	2,600,179
Total Other Operating Expenses	15,909,373	120,384	16,029,757	16,746,657	(0)	16,746,657
TOTAL OPERATING EXPENSES	30,293,320	30,377,221	60,670,541	30,327,047	25,521,524	55,848,571
NET UTILITY OPERATING INCOME	10,351,066	1,829,755	12,180,820	9,017,901	1,817,001	10,834,902
OTHER INCOME & DEDUCTIONS						
Other Income:						
AFUDC - Other Funds (41901)	-	-	-	-	-	-
Other (415- 421)	280,289	(37,502)	242,787	231,700	(25,362)	206,339
Other Income Deduc. (425, 426)	232,636	-	232,636	151,744	-	151,744
Taxes Other than Income Taxes:						
Income Tax, Other Inc & Ded	2,752	-	2,752	14,786	-	14,786
Net Other Income (Deductions)	44,901	(37,502)	7,400	65,170	(25,362)	39,809
GROSS INCOME	10,395,967	1,792,253	12,188,220	9,083,072	1,791,639	10,874,711
Interest Charges (427 - 432)	4,670,265	3,717	4,673,982	4,777,155	1,286	4,778,441
NET INCOME	5,725,702	1,788,536	7,514,238	4,305,917	1,790,353	6,096,270

Northern Utilities, Inc.
Gas Inc Stmt - NH - YTD
R_NU_4_B_FTxB_NH

Workpaper - Flowthrough Detail
4/20/2021
10:21:09 AM
For Periods Ending December 31, 2020

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Commodity Demand COG	Working Capital	Bad Debt	Residential Low Income Assistance	Energy Efficiency	Environ Response Costs	Rate Case Exp	Recoup	Lost Revenue	On-Bill Financing	Total Flowthru	Total Base	Total New Hampshire Division	Cost of Gas Total	LDAC Flowthrough Total	
OPERATING REVENUES															
Sales:															
Residential (480)	\$ 9,402,656	\$ 6,775	\$ 66,784	\$ 15,479	\$ 977,734	\$ 103,733	\$ 0	\$ (0)	\$ 236,021	\$ -	\$ 10,809,182	\$ 19,232,153	\$ 30,041,335	\$ 9,476,216	\$ 1,332,967
General Service (481)	10,833,043	7,005	75,810	77,272	542,605	119,301	(25)	11	43,177	-	11,698,198	10,623,702	22,321,900	10,915,858	782,341
Firm Transport Revenues (484, 489) (External Sup)	-	-	-	114,130	802,535	175,875	25	(11)	63,995	-	1,156,548	8,583,266	9,739,814	0	1,156,548
Sales for Resale (483)	1,107,459	-	-	-	-	-	-	-	-	-	1,107,459	-	1,107,459	-	
Other Sales (495)	2,291,577	11,582	(43,051)	115,868	41,657	-	-	-	15,896	12,952	2,446,481	(201,864)	2,244,617	2,260,108	186,373
Total Sales	23,634,735	25,362	99,544	322,748	2,364,531	398,908	(0)	-	359,089	12,952	27,217,869	38,237,257	65,455,125	23,759,640	3,458,228
Other Operating Revenues:															
Late Charge (487)	-	-	-	-	-	-	-	-	-	-	-	36,761	36,761	-	-
Misc. Service Revenues (488)	-	-	-	-	-	-	-	-	-	-	-	852,304	852,304	-	-
Rent from Property (493 & 457)	-	-	-	-	-	-	-	-	-	-	-	218,628	218,628	-	-
Other Revenues	120,656	-	-	-	-	-	-	-	-	-	120,656	-	120,656	120,656	-
Total Other Operating Revenues	120,656	-	-	-	-	-	-	-	-	-	120,656	1,107,692	1,228,348	120,656	-
TOTAL OPERATING REVENUES	23,755,391	25,362	99,544	322,748	2,364,531	398,908	(0)	-	359,089	12,952	27,338,525	39,344,949	66,683,473	23,880,296	3,458,228
OPERATING EXPENSES															
Operation & Maint. Expenses:															
Production (710-813)	22,696,215	-	-	-	-	398,908	-	-	-	-	23,095,124	449,736	23,544,860	22,696,215	398,908
Transmission (850-857)	-	-	-	-	-	-	-	-	-	-	-	63,829	63,829	-	-
Distribution (870-894) (586)	-	-	-	-	-	-	-	-	-	-	-	3,733,377	3,733,377	-	-
Cust. Accounting (901-905)	-	-	99,544	-	-	-	-	-	-	-	99,544	2,508,645	2,608,189	99,544	-
Cust. Service & Info (906-910)	-	-	-	-	2,255,679	-	-	-	12,952	2,268,632	73,074	2,341,706	2,341,706	(0)	2,268,632
Sales Expenses (911-916)	-	-	-	-	-	-	-	-	-	-	-	69,178	69,178	-	-
Admin. & General (920-935)	-	-	-	58,225	-	-	-	-	-	-	58,225	6,682,552	6,740,777	-	58,225
Total O & M Expenses	22,696,215	-	99,544	58,225	2,255,679	398,908	-	-	-	12,952	25,521,524	13,580,391	39,101,915	22,795,759	2,725,765
Other Operating Expenses:															
Depn. & Amort. (403-407)	-	-	-	-	-	-	(0)	-	-	-	(0)	9,693,559	9,693,559	-	(0)
Taxes-Other Than Inc. (408)	-	-	-	-	-	-	-	-	-	-	-	4,867,774	4,867,774	-	-
Federal Income Tax (409)	-	-	-	-	-	-	-	-	-	-	-	(30,211)	(30,211)	-	-
State Franchise Tax (409)	-	-	-	-	-	-	-	-	-	-	-	(384,644)	(384,644)	-	-
Def. Income Taxes (410,411)	-	-	-	-	-	-	-	-	-	-	-	2,600,179	2,600,179	-	-
Total Other Operating Expenses	-	-	-	-	-	-	(0)	-	-	-	(0)	16,746,657	16,746,657	-	(0)
TOTAL OPERATING EXPENSES	22,696,215	-	99,544	58,225	2,255,679	398,908	(0)	-	-	12,952	25,521,524	30,327,047	55,848,571	22,795,759	2,725,765
NET UTILITY OPERATING INCOME	1,059,176	25,362	-	264,523	108,852	-	-	-	359,089	-	1,817,001	9,017,901	10,834,902	1,084,537	732,463
OTHER INCOME & DEDUCTIONS															
Other Income:															
Other (415- 421)	-	(25,362)	-	-	-	-	-	-	-	-	(25,362)	231,700	206,339	(25,362)	-
Other Income Deduc. (425, 426)	-	-	-	-	-	-	-	-	-	-	-	151,744	151,744	-	-
Taxes Other than Income Taxes:															
Income Tax, Other Inc & Ded	-	-	-	-	-	-	-	-	-	-	-	14,786	14,786	-	-
Net Other Income (Deductions)	-	(25,362)	-	-	-	-	-	-	-	-	(25,362)	65,170	39,809	(25,362)	-
GROSS INCOME	1,059,176	-	-	264,523	108,852	-	-	-	359,089	-	1,791,639	9,083,072	10,874,711	1,059,176	732,463
Interest Charges (427 - 432)	1,286	-	-	-	-	-	-	-	-	-	1,286	4,777,155	4,778,441	1,286	-
NET INCOME	\$ 1,057,890	\$ -	\$ -	\$ 264,523	\$ 108,852	\$ -	\$ -	\$ -	\$ 359,089	\$ -	\$ 1,790,353	\$ 4,305,917	\$ 6,096,270	\$ 1,057,890	\$ 732,463

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
COST OF GAS OPERATING INCOME STATEMENT
12 MONTHS ENDED DECEMBER 31, 2020**

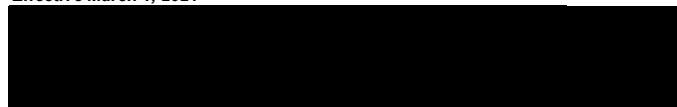
**Workpaper - Cost of Gas
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	(1)	(2)	(3)	(4)
LINE NO.	DESCRIPTION	TEST YEAR COST OF GAS	LESS: INDIRECT PRODUCTION & O.H.	COST OF GAS EXCL. PROD. & O.H.
	OPERATING REVENUES			
1	TOTAL SALES	23,759,640	1,057,890	22,701,750
2	TOTAL OTHER OPERATING REVENUES	120,656	-	120,656
3	TOTAL OPERATING REVENUES	23,880,296	1,057,890	22,822,406
	OPERATING EXPENSES:			
4	PRODUCTION	22,696,215	-	22,696,215
5	TRANSMISSION	-	-	-
6	DISTRIBUTION	-	-	-
7	CUSTOMER ACCOUNTING	99,544	-	99,544
8	CUSTOMER SERVICE	(0)	-	(0)
9	SALES EXPENSE	-	-	-
10	ADMINISTRATIVE & GENERAL	-	-	-
11	DEPRECIATION	-	-	-
12	AMORTIZATIONS	-	-	-
13	TAXES OTHER THAN INCOME	-	-	-
14	FEDERAL INCOME TAX	-	-	-
15	STATE INCOME TAX	-	-	-
16	DEFERRED FEDERAL & STATE INCOME TAXES	-	-	-
17	INTEREST ON CUSTOMER DEPOSITS	-	-	-
18	TOTAL OPERATING EXPENSES	22,795,759	-	22,795,759
19	NET OPERATING INCOME	1,084,537	1,057,890	26,647

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 SPECIAL CONTRACT REVENUE ADJUSTMENT - CUSTOMER 1
 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 1.1
REDACTED
[Table of Contents](#)

Confidential Special Contract Rates
 Effective March 1, 2021



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016
Meters	1	1	1	1	1	1	1	1	1	1	1	1	12
Customer Charge													
Customer Charge Revenue													
Monthly Fixed Charge for First 200,000 Therms or Less													
Therms - First Step													
Consumption Charge - First Step													
Excess (1) - For Gas Use between 200,000 and 300,000 Therms													
Therms - Excess (1)													
Consumption Charge - Excess (1)													
Consumption Charge Revenue - Excess (1)													
Excess (2) - For Gas Use between 300,000 and 400,000 Therms													
Therms - Excess (2)													
Consumption Charge - Excess (2)													
Consumption Charge Revenue - Excess (2)													
Excess (3) - For Gas Use Over 400,000 Therms													
Therms - Excess (3)													
Consumption Charge - Excess (3)													
Consumption Charge Revenue - Excess (3)													
2021 Proforma Revenue													
Less: 2020 Actual Revenue													
Net Revenue Adjustment													

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 SPECIAL CONTRACT REVENUE ADJUSTMENT - CUSTOMER 2
 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 1.2
REDACTED
[Table of Contents](#)

*Confidential Special Contract Rates
 Effective December 1, 2020*



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016
Meters	1	1	1	1	1	1	1	1	1	1	1	1	12
Customer Charge													
Customer Charge Revenue													
Therms													
Consumption Charge													
Consumption Charge Revenue													
2021 Proforma Revenue													
Less: 2020 Actual Revenue													
Net Revenue Adjustment													

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
UNION PAYROLL ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 2.1
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LINE NO.	(1) DESCRIPTION	(2) TOTAL
1	Payroll - Five Months Ended May 31, 2020	\$ 1,902,372
2	2020 Salary & Wage Increase ⁽¹⁾	3.00%
3	Union Payroll Annualization	<u>\$ 57,071</u>

Notes

(1) Average Union increase of 3% effective June 1, 2020

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
UNION AND NONUNION PAYROLL/COMPENSATION ⁽¹⁾
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 2.2
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LINE NO.	(1) DESCRIPTION	(2) TOTAL
1	Union Weekly Payroll ⁽¹⁾	\$ 3,475,844
2	Total Nonunion Payroll ⁽¹⁾	<u>946,912</u>
3	Total Payroll ⁽²⁾	<u>4,422,757</u>
4	Payroll Capitalization ⁽³⁾	<u>(2,058,097)</u>
5	Test Year O&M Payroll	<u>\$ 2,364,660</u>

Notes

- (1) Payroll Allocation to Union and Non-Union based on ADP 2020 Year End Payroll Registers
- (2) Includes Incentive Compensation at Target of \$58,992
- (3) Refer to Workpaper 2.3

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL SUMMARY
FOR COMPUTATION OF PAYROLL BENEFIT RELATED OVERHEADS**

**Workpaper 2.3
Table of Contents**

	(1)	(2)	
LINE NO.	DESCRIPTION	2020 INCENTIVE COMP AT TARGET	
1	O&M PAYROLL:		
2	OPERATIONS	1,325,952	
3	MAINTENANCE	168,179	
4	TOTAL O&M PAYROLL	1,494,131	
5	CONSTRUCTION PAYROLL:		
6	DIRECT	687,402	
7	INDIRECT	1,007,550	
8	TOTAL CONSTRUCTION PAYROLL	1,694,952	
9	OTHER PAYROLL:		
10	JOBGING	18,867	
11	CLEARING ACCOUNTS	193,033	
12	UNPRODUCTIVE TIME	165,091	
13	MOBILE DATA SYSTEMS (MDS)	816,759	
14	INCENTIVE COMPENSATION at TARGET	58,992	
15	OTHER	23,646	
16	TOTAL OTHER PAYROLL	1,276,387	
17	TOTAL PAYROLL	4,465,470	
18	O&M PAYROLL:		
19	OPERATIONS	1,325,952	
20	MAINTENANCE	168,179	
21	ALLOCATED CLEARING	54,513	
22	ALLOCATED UNPRODUCTIVE	26,415	
23	ALLOCATED MDS	780,163	
24	ALLOCATED INCENTIVE COMPENSATION	9,439	
25	TOTAL O&M PAYROLL	2,364,660	
26	CONSTRUCTION PAYROLL:		
27	DIRECT	687,402	
28	INDIRECT	1,007,550	
29	ALLOCATED CLEARING	138,521	
30	ALLOCATED UNPRODUCTIVE	138,676	
31	ALLOCATED MDS	36,395	
32	ALLOCATED INCENTIVE COMPENSATION	49,553	
33	TOTAL CONSTRUCTION PAYROLL	2,058,097	
34	TOTAL PAYROLL, NET OF OTHER PAYROLL	4,422,757	
35	TOTAL OTHER PAYROLL:		
36	JOBGING	18,867	
37	BELOW THE LINE MDS	201	
38	OTHER	23,646	
39	TOTAL OTHER PAYROLL	42,713	
40	TOTAL PAYROLL, WITH INCENTIVE COMP ADJ TO TARGET	4,465,470	

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL - INCENTIVE COMPENSATION ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 2.4
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<u>LINE NO.</u>	(1) <u>Description</u>	(2) <u>Amount</u>
1	<u>Northern Utilities, Inc. Payroll:</u>	
2	Adjustment to reflect Incentive Compensation at Target	
3	Test Year Accrued Incentive Compensation	\$ 58,992
4	Incentive Compensation at Target	<u>58,992</u>
5	Test Year Accounting Adjustment to reflect Incentive Compensation at Target	-
6	Capitalized Incentive Compensation at	84.00% <u>-</u>
7	Test Year Incentive Comp Accounting Adjustment to O&M	<u>-</u>
8	<u>USC Payroll, Allocated to Northern Utilities, Inc. - NH Division:</u>	
9	Adjustment to reflect Incentive Compensation at Target	
10	Test Year Accrued Incentive Compensation at USC	3,412,143
11	Test Year Accrued Incentive Compensation Percentage Billed to NuNH In 2020	20.18%
12	Incentive Compensation at Target	<u>688,571</u>
13	Test Year Accounting Adjustment to reflect Incentive Compensation at Target	-
14	Capitalized Incentive Compensation at	32.52% <u>-</u>
15	Test Year Incentive Comp Accounting Adjustment to O&M	<u>-</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL AND DENTAL INSURANCE
FOR THE 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 3.1
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Line No.	Coverage	Employee Census ⁽¹⁾				2021 Rates ⁽²⁾				- Cost -				
		- Medical -		- Dental -		- Medical -		- Dental -		- Medical -		- Dental -		Total
		CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	
1	Individual	6	5	11	-	\$ 792.45	\$ 1,090.53	\$ 46.56	\$ 45.21	\$ 4,755	\$ 5,453	\$ 512	\$ -	\$ 10,720
2	Two Person	2	8	11	-	1,362.76	1,966.94	83.34	80.82	2,726	15,736	917	-	19,378
3	Family	9	9	20	-	1,849.91	2,714.18	147.21	141.43	16,649	24,428	2,944	-	44,021
4	Total	17	22	42	-					24,129	45,616	4,373	-	74,118
5	2021 Annual Cost Based on Employee Enrollments at December 31, 2020									289,553	547,389	52,477	-	889,420
6	Employee Contribution ⁽³⁾									(57,911)	(109,478)	(10,495)	-	(177,884)
7	Net Cost									231,642	437,912	41,982	-	711,536
8	Plus: Company Contribution to HSA									14,000	-	-	-	14,000
9	Payments to Employees to Opt out									11,840	4,900	-	-	16,740
10	Total HSA and Opt out Payments									25,840	4,900	-	-	30,740
11	Proformed 2021 Medical Cost									257,482	442,812	41,982	-	742,276
12	Projected Increase in Premium Rates Effective January 1, 2022 ⁽⁴⁾									21,913	39,853	1,679	-	63,446
13	Proformed 2021 and 2022 Medical and Dental Cost									279,396	482,665	43,661	-	805,721
14	Amount Chargeable to Capital ⁽⁵⁾									(167,012)	(293,533)	(26,611)	-	(487,156)
15	Total Pro-formed Medical and Dental Insurance O&M Expense													318,565
16	Less Test Year O&M Expense ⁽⁶⁾													182,055
17	Total O&M Medical & Dental Insurance Adjustment													\$ 136,510

Notes

- (1) Employee Benefit Census as of December 31, 2020
(2) Anthem and Northeast Delta Dental monthly insurance rates, effective January 1, 2021
(3) Employee Contributions: 20%
(4) Estimated increase effective January 1, 2022
 Medical Increase 9.00%
 Dental Increase 4.00%
(5) Capitalization Rate: 48.76%
(6) Refer to Workpaper 3.2

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL AND DENTAL INSURANCE
FOR THE 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 3.1 Revised
Table of Contents

Line No.	Coverage	Employee Census ⁽¹⁾				2021 Rates ⁽²⁾				- Cost -				
		- Medical -		- Dental -		- Medical -		- Dental -		- Medical -		- Dental -		Total
		CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	
1	Individual	6	5	11	-	\$ 792.45	\$ 1,090.53	\$ 46.56	\$ 45.21	\$ 4,755	\$ 5,453	\$ 512	\$ -	\$ 10,720
2	Two Person	2	8	11	-	1,362.76	1,966.94	83.34	80.82	2,726	15,736	917	-	19,378
3	Family	9	9	20	-	1,849.91	2,714.18	147.21	141.43	16,649	24,428	2,944	-	44,021
4	Total	17	22	42	-					24,129	45,616	4,373	-	74,118
5	2021 Annual Cost Based on Employee Enrollments at December 31, 2020									289,553	547,389	52,477	-	889,420
6	Employee Contribution ⁽³⁾									(57,911)	(109,478)	(10,495)	-	(177,884)
7	Net Cost									231,642	437,912	41,982	-	711,536
8	Plus: Company Contribution to HSA									14,000	-	-	-	14,000
9	Payments to Employees to Opt out									11,840	4,900	-	-	16,740
10	Total HSA and Opt out Payments									25,840	4,900	-	-	30,740
11	Proformed 2021 Medical Cost									257,482	442,812	41,982	-	742,276
12	Projected Increase in Premium Rates Effective January 1, 2022 ⁽⁴⁾									-	-	-	-	-
13	Proformed 2021 and 2022 Medical and Dental Cost									257,482	442,812	41,982	-	742,276
14	Amount Chargeable to Capital ⁽⁵⁾									(153,786)	(269,296)	(25,588)	-	(448,670)
15	Total Pro-formed Medical and Dental Insurance O&M Expense													293,606
16	Less Test Year O&M Expense ⁽⁶⁾													182,055
17	Total O&M Medical & Dental Insurance Adjustment													\$ 111,551

Notes

- (1) Employee Benefit Census as of December 31, 2020
(2) Anthem and Northeast Delta Dental monthly insurance rates, effective January 1, 2021
(3) Employee Contributions: 20%
(4) Actual rate change effective January 1, 2022
 Medical Increase 0.00%
 Dental Increase 0.00%
(5) Capitalization Rate: 48.76%
(6) Refer to Workpaper 3.2

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL INSURANCE
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 3.2
Table of Contents**

LINE NO.	(1) Description	(2) Amount
1	Medical Insurance Expense	\$ 665,259
2	Benefits Cost Capitalized at	48.76% (324,380)
3	Subtotal Medical Costs	<u>340,879</u>
4	Employee Contribution	(160,868)
5	Drug Subsidy	(10,252)
6	Subtotal	<u>(171,121)</u>
7	Net Test Year Medical Insurance Expense	<u>169,758</u>
8	Dental Insurance Expense	44,042
9	Benefits Cost Capitalized at	48.76% (21,475)
10	Subtotal Dental Costs	<u>22,567</u>
11	Employee Contribution	(10,270)
12	Net Test Year Dental Costs	<u>12,297</u>
13	Net Test Year Medical & Dental Costs	<u>\$ 182,055</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL AND DENTAL INSURANCE - UNITIL SERVICE CORP
FOR THE 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 3.3
Table of Contents

Line No.	Coverage	Employee Census ⁽¹⁾				2021 Rates ⁽²⁾				Costs					
		Medical		Dental		Medical		Dental		Medical		Dental			Total
		CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard		
1	Individual	80	-	79	48	\$ 792.45	\$ 1,033.07	\$ 46.56	\$ 45.21	\$ 63,396	\$ -	\$ 3,678	\$ 2,170	\$ 69,244	
2	Two Person	64	1	77	36	1,362.76	1,859.73	83.34	80.82	87,217	1,860	6,417	2,910	98,403	
3	Family	82	1	100	79	1,849.91	2,564.50	147.21	141.43	151,693	2,565	14,721	11,173	180,151	
4	Total	226	2	256	163					302,305	4,424	24,816	16,253	347,798	
5	2021 Annual Cost Based on Employee Enrollments at December 31, 2020									3,627,663	53,091	297,797	195,031	4,173,582	
6	Employee Contribution ⁽³⁾									(725,533)	(10,618)	(59,559)	(39,006)	(834,716)	
7	Net Cost									2,902,130	42,473	238,238	156,025	3,338,865	
8	Plus: Company Contribution to HSA									186,000	-	-	-	186,000	
9	Payments to Employees to Opt out									178,400	-	-	-	178,400	
10	Total HSA and Opt out Payments									364,400	-	-	-	364,400	
11	Proformed 2021 Medical Cost									3,266,531	42,473	238,238	156,025	3,703,266	
12	Projected Increase in Premium Rates Effective January 1, 2022 ⁽⁴⁾									277,248	3,823	9,530	6,241	296,841	
13	Proformed 2021 and 2022 Medical and Dental Cost									3,543,778	46,295	247,767	162,266	4,000,106	
12	Apportionment to NuNH at 20.18%									715,134	9,342	49,999	32,745	807,221	
13	Amount Chargeable to Capital at 31.51%									(225,339)	(2,944)	(15,755)	(10,318)	(254,355)	
14	Total Pro-formed Medical and Dental Insurance O&M Expense													552,866	
15	Less Test Year O&M Expense ⁽⁵⁾													284,783	
16	Total O&M Medical & Dental Insurance Adjustment													<u>\$ 268,083</u>	

Notes

- (1) Employee Benefit Census as of December 31, 2020.
(2) Health Plans, Inc. and Northeast Delta Dental monthly insurance rates, effective January 1, 2021.
(3) Employee Contributions: 20%
(4) Estimated increase effective January 1, 2022
 Medical Increase 9.00%
 Dental Increase 4.00%
(5) Refer to Workpaper 3.4

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
MEDICAL AND DENTAL INSURANCE - UNITIL SERVICE CORP
FOR THE 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 3.3 Revised
Table of Contents

Line No.	Coverage	Employee Census ⁽¹⁾				2021 Rates ⁽²⁾				Costs				
		Medical		Dental		Medical		Dental		Medical		Dental		Total
		CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	CDHP	PPO	Plus	Standard	
1	Individual	80	-	79	48	\$ 792.45	\$ 1,033.07	\$ 46.56	\$ 45.21	\$ 63,396	\$ -	\$ 3,678	\$ 2,170	\$ 69,244
2	Two Person	64	1	77	36	1,362.76	1,859.73	83.34	80.82	87,217	1,860	6,417	2,910	98,403
3	Family	82	1	100	79	1,849.91	2,564.50	147.21	141.43	151,693	2,565	14,721	11,173	180,151
4	Total	226	2	256	163					302,305	4,424	24,816	16,253	347,798
5	2021 Annual Cost Based on Employee Enrollments at December 31, 2020									3,627,663	53,091	297,797	195,031	4,173,582
6	Employee Contribution ⁽³⁾									(725,533)	(10,618)	(59,559)	(39,006)	(834,716)
7	Net Cost									2,902,130	42,473	238,238	156,025	3,338,865
8	Plus: Company Contribution to HSA									186,000	-	-	-	186,000
9	Payments to Employees to Opt out									178,400	-	-	-	178,400
10	Total HSA and Opt out Payments									364,400	-	-	-	364,400
11	Proformed 2021 Medical Cost									3,266,531	42,473	238,238	156,025	3,703,266
12	Projected Increase in Premium Rates Effective January 1, 2022 ⁽⁴⁾									-	-	-	-	-
13	Proformed 2021 and 2022 Medical and Dental Cost									3,266,531	42,473	238,238	156,025	3,703,266
12	Apportionment to NuNH at 20.18%									659,186	8,571	48,076	31,486	747,319
13	Amount Chargeable to Capital at 31.51%									(207,709)	(2,701)	(15,149)	(9,921)	(235,480)
14	Total Pro-formed Medical and Dental Insurance O&M Expense													511,839
15	Less Test Year O&M Expense ⁽⁵⁾													284,783
16	Total O&M Medical & Dental Insurance Adjustment													<u>\$ 227,056</u>

Notes

- (1) Employee Benefit Census as of December 31, 2020.
(2) Health Plans, Inc. and Northeast Delta Dental monthly insurance rates, effective January 1, 2021.
(3) Employee Contributions: 20%
(4) Actual rate change effective January 1, 2022
 Medical Increase 0.00%
 Dental Increase 0.00%
(5) Refer to Workpaper 3.4

UNITIL SERVICE CORP.
 MEDICAL INSURANCE
 12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 3.4
Table of Contents

LINE NO.	(1) Description	(2) Medical	(3) Dental	(4) Total
1	Medical Insurance	\$ 2,587,331	\$ 304,575	\$ 2,891,906
2	Employee Contribution	(703,135)	(59,946)	(763,081)
3	Drug Subsidy	(34,106)	-	(34,106)
4	Subtotal	<u>1,850,090</u>	<u>244,629</u>	<u>2,094,719</u>
5	NuNH Apportionment at	19.85%	19.85%	19.85%
6	Expense Apportioned to NuNH	<u>367,243</u>	<u>48,559</u>	<u>415,802</u>
7	Capitalization Rate at	31.51%	31.51%	31.51%
8	NuNH Capitalization	<u>(115,718)</u>	<u>(15,301)</u>	<u>(131,019)</u>
9	Net USC Test Year Medical & Dental Costs Allocated to NuNH	<u>\$ 251,525</u>	<u>\$ 33,258</u>	<u>\$ 284,783</u>

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PENSION EXPENSE
2020 ACTUAL EXPENSE RECORDED AND 2021 FORECAST EXPENSE**

**Workpaper 4.1
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) 2020 TEST YEAR	(3) 2021 FORECAST EXPENSE	(4) PROFORMA ADJUSTMENT
A1	USC Labor & Overhead Charged to NU-NH	19.85%	19.85%	
A2	NU-NH Capitalization Rates	48.76%	48.76%	
A3	USC Labor & Overhead to Construction	31.51%	31.51%	
A4	Total USC Pension Expense	\$ 3,032,609	\$ 3,232,617	
 <u>Calculation of Pension Expense, net of Amounts Chargeable to Construction</u>				
 <u>A. NU-NH Pension Expense, net:</u>				
1	NU-NH Pension Expense	\$ 546,677	\$ 489,345	\$ (57,332)
2	Less: Amounts Chargeable to Construction	(266,560)	(238,605)	27,955
3	NU-NH Pension Expense, net	<u>\$ 280,117</u>	<u>\$ 250,740</u>	<u>\$ (29,377)</u>
 <u>B. Unutil Service Pension Expense Allocated to NU-NH, net:</u>				
4	Unutil Service Pension Expense	\$ 601,973	\$ 641,674	\$ 39,702
5	Less: Amounts Chargeable to Construction	(189,682)	(202,192)	(12,510)
6	Total Unutil Service Pension Expense Allocated to NU-NH, net	<u>\$ 412,291</u>	<u>\$ 439,483</u>	<u>\$ 27,192</u>
7	Total NU-NH Pension Expense	<u>\$ 692,409</u>	<u>\$ 690,223</u>	<u>\$ (2,185)</u>

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PBOP EXPENSE
2020 ACTUAL EXPENSE RECORDED AND 2021 FORECAST EXPENSE**

**Workpaper 4.2
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) 2020 TEST YEAR	(3) 2021 FORECAST EXPENSE	(4) PROFORMA ADJUSTMENT
A1	USC Labor & Overhead Charged to NU-NH	19.85%	19.85%	
A2	NU-NH Capitalization Rates	48.76%	48.76%	
A3	USC Labor & Overhead to Construction	31.51%	31.51%	
A4	Total USC PBOP Expense	\$ 1,510,206	\$ 1,358,914	
 <u>Calculation of PBOP Expense, net of Amounts Chargeable to Construction</u>				
 <u>A. NU-NH PBOP Expense, net:</u>				
1	NU-NH PBOP Expense	\$ 397,889	\$ 399,488	\$ 1,599
2	Less: Amounts Chargeable to Construction	(194,011)	(194,790)	(780)
3	NU-NH PBOP Expense, net	<u>\$ 203,878</u>	<u>\$ 204,698</u>	<u>\$ 819</u>
 <u>B. Unitil Service PBOP Expense Allocated to NU-NH, net:</u>				
4	Unitil Service PBOP Expense	\$ 299,776	\$ 269,744	\$ (30,031)
5	Less: Amounts Chargeable to Construction	(94,459)	(84,996)	9,463
6	Total Unitil Service PBOP Expense Allocated to NU-NH, net	<u>\$ 205,317</u>	<u>\$ 184,748</u>	<u>\$ (20,569)</u>
7	Total NU-NH PBOP Expense	<u>\$ 409,195</u>	<u>\$ 389,446</u>	<u>\$ (19,749)</u>

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
SERP EXPENSE
2020 ACTUAL EXPENSE RECORDED AND 2021 FORECAST EXPENSE**

**Workpaper 4.3
Table of Contents**

LINE NO.	(1) DESCRIPTION	(2) 2020 TEST YEAR	(3) 2021 FORECAST EXPENSE	(4) PROFORMA ADJUSTMENT
A1	USC Labor & Overhead Charged to NU-NH	19.85%	19.85%	
A2	NU-NH Capitalization Rates	48.76%	48.76%	
A3	USC Labor & Overhead to Construction	31.51%	31.51%	
A4	Total USC SERP Expense	\$ 1,924,767	\$ 2,357,253	
 <u>Calculation of SERP Expense, net of Amounts Chargeable to Construction</u>				
 <u>A. NU-NH SERP Expense, net:</u>				
1	NU-NH SERP Expense	\$ -	\$ -	\$ -
2	Less: Amounts Chargeable to Construction	-	-	-
3	NU-NH SERP Expense, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>B. Unitil Service SERP Expense Allocated to NU-NH, net:</u>				
4	Unitil Service SERP Expense	\$ 382,066	\$ 467,915	\$ 85,848
5	Less: Amounts Chargeable to Construction	(120,389)	(147,440)	(27,051)
6	Total Unitil Service SERP Expense Allocated to NU-NH, net	<u>\$ 261,677</u>	<u>\$ 320,475</u>	<u>\$ 58,798</u>
7	Total NU-NH SERP Expense	<u>\$ 261,677</u>	<u>\$ 320,475</u>	<u>\$ 58,798</u>

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
401(K) EXPENSE
2020 ACTUAL EXPENSE RECORDED AND 2021 FORECAST EXPENSE**

Workpaper 4.4
Table of Contents

LINE NO.	DESCRIPTION	(1) 2020 TEST YEAR	(2) 2017 & 2018 FORECAST EXPENSE	(3) PROFORMA ADJUSTMENT
A1	USC Labor & Overhead Charged to NU-NH	19.85%	19.85%	
A2	NU-NH Capitalization Rates	48.76%	48.76%	
A3	USC Labor & Overhead to Construction	31.51%	31.51%	
A4	Total USC 401k Expense ⁽¹⁾	\$ 1,994,120	\$ 2,081,861	
 <u>Calculation of 401k Expense, net of amounts chargeable to construction</u>				
A. Northern 401k Expense, net:				
1	Northern-401k Expense 2021 Proformed ⁽²⁾	\$ 181,223	\$ 186,714	\$ 5,491
2	NU-NH 401(k) Expense Adjusted for 2022 Wage Increase ⁽²⁾	-	5,657	5,657
3	Total NU-NH 401(k) Expense - Proformed	181,223	192,371	11,148
4	Less: Amounts Chargeable to Construction	(88,364)	(93,800)	(5,436)
5	Northern 401k Expense, net	<u>\$ 92,859</u>	<u>\$ 98,571</u>	<u>\$ 5,712</u>
B. Unitil Service 401k Expense Allocated to Northern, net:				
6	Unitil Service 401K Expense 2021 Proformed	\$ 395,833	\$ 413,250	\$ 17,417
7	Unitil Service 401K Adjusted for 2022 Wage Increase ⁽¹⁾	-	18,183	18,183
8	Total USC 401(k) Expense - Proformed	395,833	431,432	35,600
9	Less: Amounts Chargeable to Construction	(124,727)	(135,944)	(11,217)
10	Unitil Service 401k Expense Allocated to Northern, net	<u>271,106</u>	<u>295,488</u>	<u>24,382</u>
11	Total Northern 401k Expense	<u>\$ 363,965</u>	<u>\$ 394,059</u>	<u>\$ 30,095</u>

Notes

(1) Unitil Service Corp. - Average 2020/2021 Payroll Increase of 4.40%

(2) See Workpaper 3.5

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
401(K) EXPENSE
2020 ACTUAL EXPENSE RECORDED AND 2021 FORECAST EXPENSE**

Workpaper 4.4 Revised
Table of Contents

LINE NO.	(1) DESCRIPTION	(2) 2020 TEST YEAR	(3) 2017 & 2018 FORECAST EXPENSE	(4) PROFORMA ADJUSTMENT
A1	USC Labor & Overhead Charged to NU-NH	19.85%	19.85%	
A2	NU-NH Capitalization Rates	48.76%	48.76%	
A3	USC Labor & Overhead to Construction	31.51%	31.51%	
A4	Total USC 401k Expense ⁽¹⁾	\$ 1,994,120	\$ 2,081,861	
 <u>Calculation of 401k Expense, net of amounts chargeable to construction</u>				
A. Northern 401k Expense, net:				
1	Northern-401k Expense 2021 Proformed ⁽²⁾	\$ 181,223	\$ 186,714	\$ 5,491
2	NU-NH 401(k) Expense Adjusted for 2022 Wage Increase ⁽²⁾	-	5,695	5,695
3	Total NU-NH 401(k) Expense - Proformed	181,223	192,409	11,186
4	Less: Amounts Chargeable to Construction	(88,364)	(93,819)	(5,454)
5	Northern 401k Expense, net	<u>\$ 92,859</u>	<u>\$ 98,590</u>	<u>\$ 5,732</u>
B. Unitil Service 401k Expense Allocated to Northern, net:				
6	Unitil Service 401K Expense 2021 Proformed	\$ 395,833	\$ 413,250	\$ 17,417
7	Unitil Service 401K Adjusted for 2022 Wage Increase ⁽¹⁾	-	18,844	18,844
8	Total USC 401(k) Expense - Proformed	395,833	432,094	36,261
9	Less: Amounts Chargeable to Construction	(124,727)	(136,153)	(11,426)
10	Unitil Service 401k Expense Allocated to Northern, net	<u>271,106</u>	<u>295,941</u>	<u>24,835</u>
11	Total Northern 401k Expense	<u>\$ 363,965</u>	<u>\$ 394,531</u>	<u>\$ 30,567</u>

Notes

(1) Unitil Service Corp. - Actual 2022 Payroll Increase of 4.56%

(2) See Workpaper 3.5

401K ADJUSTMENT
2020 & 2021 WEIGHTED AVERAGE PAY INCREASE

	(1)	(2)	(3)	(4)	(5)	(6)
LINE NO.	DESCRIPTION	2020 ANNUALIZED PAYROLL	2021 AVERAGE PAY INCREASE ⁽¹⁾	WEIGHTED AVERAGE INCREASE	2022 AVERAGE PAY INCREASE ⁽²⁾	WEIGHTED AVERAGE INCREASE
1	Nonunion	\$ 946,912	3.12%	0.66%	3.12%	0.66%
2	Union	3,532,915	3.00%	2.37%	3.00%	2.37%
3	Total	<u>\$ 4,479,827</u>		<u>3.03%</u>		<u>3.03%</u>

Notes

- (1) Refer to Schedule RevReq-3-4, Page 1 of 2 for 2021 Payroll Increases
- (2) Refer to Schedule RevReq-3-4, Page 1 of 2 for 2022 Payroll Increase

401K ADJUSTMENT
2020 & 2021 WEIGHTED AVERAGE PAY INCREASE

	(1)	(2)	(3)	(4)	(5)	(6)
LINE NO.	DESCRIPTION	2020 ANNUALIZED PAYROLL	2021 AVERAGE PAY INCREASE ⁽¹⁾	WEIGHTED AVERAGE INCREASE	2022 AVERAGE PAY INCREASE ⁽²⁾	WEIGHTED AVERAGE INCREASE
1	Nonunion	\$ 946,912	3.12%	0.66%	3.24%	0.68%
2	Union	3,532,915	3.00%	2.37%	3.00%	2.37%
3	Total	<u>\$ 4,479,827</u>		<u>3.03%</u>		<u>3.05%</u>

Notes

(1) Refer to Schedule RevReq-3-4, Page 1 of 2 Revised for 2021 Payroll Increases

(2) Refer to Schedule RevReq-3-4, Page 1 of 2 Revised for 2022 Payroll Increase

DEFERRED COMPENSATION PLAN EXPENSE
2020 ACTUAL EXPENSE RECORDED AND 2021 & 2022 FORECAST EXPENSE

Line No.	(1) Description	(2) 2020 TEST YEAR	(3) 2021 & 2022 FORECAST EXPENSE	(4) PROFORMA ADJUSTMENT
A1	USC Labor & Overhead Charged to NU-NH	19.85%	19.85%	
A2	NU-NH Capitalization Rates	48.76%	48.76%	
A3	USC Labor & Overhead to Construction	31.51%	31.51%	
A4	Total USC Eligible Base Compensation	\$ 369,511	\$ 2,802,136	
A5	Total USC Eligible Incentive Compensation (at target)	\$ 241,091	\$ 952,203	
<u>Calculation of Deferred Compensation Expense, net of Amounts Chargeable to Construction</u>				
<u>A. NU-NH Deferred Compensation Expense, net:</u>				
1	NU-NH Deferred Comp Expense 2021 Proformed	\$ -	\$ -	\$ -
2	NU-NH Deferred Comp Expense adjusted for 2022 wage increase	-	-	-
3	Total NU-NH Deferred Comp Expense - Proformed	-	-	-
4	Less: Amounts chargeable to capital	-	-	-
5	Total NU-NH Deferred Comp Expense, net	\$ -	\$ -	\$ -
<u>B. Unitil Service Deferred Comp Expense allocated to NU-NH, net:</u>				
6	Unitil Service 2020 Deferred Comp. Expense	\$ 36,951	\$ 280,214	\$ 243,263
7	Unitil Service Deferred Comp Expense Allocated to NU-NH	7,335	55,622	48,287
8	Unitil Service Deferred Incentive Compensation Expense	24,109	95,220	71,111
9	Unitil Service Deferred Incentive Compensation Expense Allocated to NU-NH	4,786	18,901	14,115
10	Unitil Service Deferred Comp. Adjusted for 2021 Wage Increase ⁽¹⁾	-	2,447	2,447
11	Total Unitil Service Deferred Comp Expense Allocated to NU-NH - Proformed	12,121	76,970	64,849
12	Less: Amounts Chargeable to Construction	(3,819)	(24,253)	(20,434)
13	Unitil Service Deferred Comp Expense Allocated to NU-NH, net	\$ 8,302	\$ 52,717	\$ 44,415
14	Total NU-NH Deferred Comp Expense	\$ 8,302	\$ 52,717	\$ 44,415

Notes

(1) Unitil Service Corp - Estimated 2020 Average Payroll Increase of 4.40%

Workpaper 5.1
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PROPERTY AND LIABILITY INSURANCES ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

LINE NO.	DESCRIPTION	AMOUNT ⁽¹⁾
	Current Coverage Periods	
	Property:	
1	All Risk	\$ 18,989
2	Crime	3,256
3	K&E	285
4	Total Property	\$ 22,531
	Liability:	
5	Workers' Compensation	\$ 53,618
6	Excess	355,650
7	Cyber	17,698
8	Automobile	43,038
9	Directors & Officers	74,021
10	Fiduciary	5,044
11	Total Liability	\$ 549,069
12	Total NuNH Property & Liability Insurances	571,600
13	Less: Amounts Chargeable to Capital	<u>282,502</u>
14	Amount to O&M Expense	289,097
15	Less Test Year O&M Expense	<u>241,873</u>
16	O&M Property and Liability Insurance Increase	<u>\$ 47,224</u>

Notes

(1) Refer to Workpaper 5.3

Workpaper 5.1 Revised
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PROPERTY AND LIABILITY INSURANCES ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

LINE NO.	DESCRIPTION	AMOUNT ⁽¹⁾
	Current Coverage Periods	
	Property:	
1	All Risk	\$ 17,726
2	Crime	1,912
3	K&E	266
4	Total Property	<u>\$ 19,904</u>
	Liability:	
5	Workers' Compensation	\$ 54,922
6	Excess	331,990
7	Cyber	25,559
8	Automobile	41,827
9	Directors & Officers	69,096
10	Fiduciary	4,709
11	Total Liability	<u>\$ 528,104</u>
12	Total NuNH Property & Liability Insurances	548,008
13	Less: Amounts Chargeable to Capital	<u>270,930</u>
14	Amount to O&M Expense	277,077
15	Less Test Year O&M Expense	<u>241,873</u>
16	O&M Property and Liability Insurance Increase	<u><u>\$ 35,204</u></u>

Notes

(1) Refer to Workpaper 5.3 Revised

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PROPERTY AND LIABILITY INSURANCES ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 5.2
Table of Contents

LINE NO.	DESCRIPTION	UNITIL SERVICE CORP. TOTAL ⁽¹⁾	AMOUNT TO NuNH ⁽²⁾	NuNH TOTAL
1	USC Cost For Current Coverage Periods			
2	Property:			
3	All Risk	\$ 6,952		\$ 1,403
4	Crime	968		195
5	K&E	124		25
6	Total Property	<u>\$ 8,044</u>	20.18%	<u>\$ 1,623</u>
7	Liability:			
8	Workers' Compensation	\$ 62,142		\$ 12,540
9	Excess	113,172		22,838
10	Automobile	8,799		1,776
11	Directors and Officers	23,554		4,753
12	Cyber	5,898		1,190
13	Fiduciary	1,605		324
14	Total Liability	<u>\$ 215,170</u>	20.18%	<u>\$ 43,421</u>
15	Total USC Property & Liability Insurances			<u>45,045</u>
16	Less Amount Chargeable to Capital		31.51%	<u>14,194</u>
17	Total Property & Liability Insurances to O&M Expense			<u><u>30,851</u></u>
18	Less Test Year O&M Expense ⁽³⁾			<u>17,377</u>
19	O&M Property and Liability Insurance Increase			<u><u>\$ 13,475</u></u>

Notes

- (1) Refer to Workpaper 5.3
(2) Refer to Workpaper 5.1
(2) Refer to Workpaper 5.4

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PROPERTY AND LIABILITY INSURANCES ADJUSTMENT
12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 5.2 Revised
Table of Contents

LINE NO.	DESCRIPTION	UNITIL SERVICE CORP. TOTAL ⁽¹⁾	AMOUNT TO NuNH	NuNH TOTAL
1	USC Cost For Current Coverage Periods			
2	Property:			
3	All Risk	\$ 7,274		\$ 1,468
4	Crime	682		138
5	K&E	130		26
6	Total Property	<u>\$ 8,085</u>	20.18%	<u>\$ 1,632</u>
7	Liability:			
8	Workers' Compensation	\$ 71,346		\$ 14,398
9	Excess	118,410		23,895
10	Automobile	7,708		1,555
11	Directors and Officers	24,644		4,973
12	Cyber	9,116		1,840
13	Fiduciary	1,679		339
14	Total Liability	<u>\$ 232,904</u>	20.18%	<u>\$ 47,000</u>
15	Total USC Property & Liability Insurances			48,632
16	Less Amount Chargeable to Capital		31.51%	<u>15,324</u>
17	Total Property & Liability Insurances to O&M Expense			<u>33,308</u>
18	Less Test Year O&M Expense ⁽²⁾			<u>17,377</u>
19	O&M Property and Liability Insurance Increase			<u>\$ 15,931</u>

Notes

(1) Refer to Workpaper 5.3 Revised

(2) Refer to Workpaper 5.4

Casualty & Property Insurance

Workpaper 5.3
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		CASUALTY											PROPERTY					
		AL	NH-WC	XL*	XL	XL	Cyber	FL	D&O	D&O	D&O	D&O	CASUALTY	ARP	CRIME	K&E	TOTAL	TOTAL
		(prem)	(prem)	(prem)	(brkr) ⁽²⁾	Surplus Tax	(prem)	(prem)	(prem)	Surplus Tax	(brkr) ⁽²⁾	Side A	TOTAL	(prem)	(prem)	(prem)	PROP	TOTAL
NuNH	2018a	26,696	90,284	239,335	7,351	7,180	8,376	3,481	34,907	1,047	4,420	-	423,077	10,171	1,468	255	11,894	434,971
	2019a	29,196	84,634	273,415	8,843	8,202	8,399	3,876	35,820	1,093	4,544	-	458,024	8,778	1,503	266	10,547	468,571
	2020a	33,155	66,093	285,336	13,321	8,560	10,467	3,876	42,690	1,281	-	-	464,779	12,588	1,520	266	14,373	479,152
	2021a	40,175	50,051	309,521	13,184	9,286	17,698	4,709	51,976	1,559	-	15,561	513,720	17,726	3,039	266	21,032	534,752
	2022e ⁽¹⁾	43,038	53,618	331,579	14,124	9,947	-	5,044	55,680	1,670	-	16,670	549,069	18,989	3,256	285	22,531	571,600
	2018a	5,933	97,653	123,302	3,787	3,699	3,948	1,794	17,983	540	2,277	-	260,917	5,399	756	116	6,270	267,187
	2019a	8,029	92,581	133,432	4,316	4,003	4,327	1,892	17,481	533	2,218	-	268,811	5,581	733	130	6,444	275,255
USC	2020a	7,120	85,858	95,093	4,439	2,853	3,488	1,892	14,227	427	-	-	215,397	6,489	506	130	7,125	222,522
	2021a	9,206	65,019	110,396	4,702	3,312	5,898	1,679	18,538	556	-	5,550	224,857	7,274	1,013	130	8,416	233,273
	2022e ⁽¹⁾	8,799	62,142	105,512	4,494	3,165	-	1,605	17,718	532	-	5,305	215,170	6,952	968	124	8,044	223,214

Notes

(1) Estimated 2022 premiums reflect annual growth rate from 2018 to 2021. All 2022 policies, except for Cyber will updated with actuals during pendency of case

(2) In 2020 the Company changed brokers and now the D&O broker fee is included in the XL broker fee

Casualty & Property Insurance

Workpaper 5.3 Revised
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		CASUALTY												PROPERTY					
		AL	NH-WC	XL*	XL	XL	Cyber	Cyber	FL	D&O	D&O	D&O	D&O	CASUALTY	ARP	CRIME	K&E	TOTAL	
		(prem)	(prem)	(prem)	(brkr) ⁽²⁾	Surplus Tax	(prem)	Surplus Tax	(prem)	(prem)	Surplus Tax	(brkr) ⁽¹⁾	Side A	TOTAL	(prem)	(prem)	(prem)	PROP	TOTAL
NuNH	2018a	26,696	90,284	239,335	7,351	7,180	8,376		3,481	34,907	1,047	4,420	-	423,077	10,171	1,468	255	11,894	434,971
	2019a	29,196	84,634	273,415	8,843	8,202	8,399		3,876	35,820	1,093	4,544	-	458,024	8,778	1,503	266	10,547	468,571
	2020a	33,155	66,093	285,336	13,321	8,560	10,467		3,876	42,690	1,281	-	-	464,779	12,588	1,520	266	14,373	479,152
	2021a	41,827	54,922	309,521	13,184	9,286	24,813	746	4,709	51,976	1,559	-	15,561	528,104	17,726	1,912	266	19,904	548,008
	2018a	5,933	97,653	123,302	3,787	3,699	3,948		1,794	17,983	540	2,277	-	260,917	5,399	756	116	6,270	267,187
	2019a	8,029	92,581	133,432	4,316	4,003	4,327		1,892	17,481	533	2,218	-	268,811	5,581	733	130	6,444	275,255
USC	2020a	7,120	85,858	95,093	4,439	2,853	3,488		1,892	14,227	427	-	-	215,397	6,489	506	130	7,125	222,522
	2021a	7,708	71,346	110,396	4,702	3,312	8,850	266	1,679	18,538	556	-	5,550	232,904	7,274	682	130	8,085	240,989

Notes

(1) In 2020 the Company changed brokers and now the D&O broker fee is included in the XL broker fee

**UNITIL SERVICE CORP.
PROPERTY & LIABILITY INSURANCE TEST YEAR COSTS
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 5.4
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LINE NO.	DESCRIPTION	TOTAL
	USC O&M Test Year	
1	12-30-08-00-9240100 PROPERTY INSURANCE	\$ 5,519
2	12-30-08-00-9250100 INJURIES & DAMAGES	120,204
3	Total	<u>\$ 125,723</u>
4	NuNH Apportionment	<u>20.18%</u>
5	NuNH Amount	\$ 25,371
6	Capitalization Rate	<u>31.51%</u>
7	Capitalization Amount	\$ 7,994
8	O&M Expense Amount	<u><u>17,377</u></u>

**NuNH - OPERATING FACILITY
COMPUTATION OF BUILDING OVERHEAD
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 5.5
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<u>SQUARE FOOTAGE OF SERVICE CENTER UPDATED:</u>	Dec-20		ALLOCATION OF
DESCRIPTION	SQ FT	%	SERVICE CENTER OVERHEADS
SERVICE CENTER ALLOCATED:			
General Area Capitalized (184.00.00)	13,864	54.51%	6,384
Ratio of Payroll Capitalized			48.76%
General Area Capitalized (184.00.01)			3,113
Stock Area Capitalized (163.00.00)	5,741	22.57%	2,643
Ratio of Stock Capitalized			90.00%
Stock Area Capitalized			2,379
<u>Garage Area Capitalized:</u>			
Auto-184.01.00	-	0.00%	-
Light Truck-184.02.00	-	0.00%	-
Heavy Truck-184.03.00	-	0.00%	-
Sub-Total Garage Area	-	0.00%	-
Ratio of Garage Area Capitalized			48.76%
Garage Area Capitalized			-
Total Service Center to DOC	19,605	77.09%	5,492
<i>Non-DOC Space:</i>			
Exclude: USC & Usource	5,827	22.91%	2,683
Ratio of Non-DOC Space Capitalized			0.00%
Non-DOC Space Capitalized			-
TOTAL SERVICE CENTER	25,432	100.00%	5,492

(b) DETERMINATION OF SERVICE CENTER PROPERTY INSURANCE:

BUDGETED ALL RISK PROPERTY INSURANCE	11,723
RATIO OF SERVICE CENTER TO TOTAL PROPERTY	99.89%
TOTAL SERVICE CENTER PROPERTY INSURANCE	11,710

Service Center Property Insurance Capitalization Ratio 46.90%

	<u>Asset 1000c or Asset 1020</u>		
	SERVICE CENTER	ALL STRUCTURE	SERVICE RATIO
GAS STRUCTURES - DIST. ACCT. 375.20	39,504	45,256	
STRUCTURES-OTHER DIST SYS 375.70	3,128,853	3,128,853	
GENERAL PLANT - (TOTAL LESS COMMUN. EQ)	1,923,719	1,923,719	
(ACCT. 391,393,394,395,396,398)	-	-	
TOTAL COST	5,092,075	5,097,827	99.89%

**VEHICLE CLEARING ACCOUNT
TOTAL CHARGES & TOTAL CLEARINGS TO EXPENSE & CAPITAL
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 5.6
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Total Clearings from Clearing Account:

	Expense	Capital	NuNH Total GL	Total Sch 12	Variance
Jan-20	28,022	47,758	75,780	75,780	-
Feb-20	29,141	31,696	60,837	60,837	-
Mar-20	29,755	29,979	59,735	59,735	-
Apr-20	26,484	25,236	51,719	51,719	-
May-20	30,248	31,224	61,473	61,473	-
Jun-20	36,093	51,333	87,427	87,427	-
Jul-20	23,989	40,521	64,510	64,510	-
Aug-20	20,998	29,112	50,111	50,111	-
Sep-20	25,188	32,644	57,832	57,832	-
Oct-20	83,045	146,259	229,304	229,304	-
Nov-20	1,576	4,394	5,970	5,970	-
Dec-20	1,505	4,908	6,413	6,413	-
	336,045	475,064	811,109	811,109	

Capitalization Rate 58.57%

**VEHICLE CLEARING ACCOUNT
AUTO LIABILITY INSURANCE**

Auto Liability Insurance Payments into Clearing Account ⁽¹⁾

Jan-20	3,316
Feb-20	3,316
Mar-20	3,316
Apr-20	3,316
May-20	3,316
Jun-20	3,316
Jul-20	3,316
Aug-20	
Sep-20	
Oct-20	
Nov-20	8,035
Dec-20	4,018
Total	35,261

(1) Payments during test year (Jan-Jul) were for 2019-2020 coverage year 10/1/19-9/30/20
Payments in November & December 2020 are for 10/1/20 - 9/30/21 coverage year

Auto Liability Insurance Expense through Clearing Account

	<u>NuNH</u>
Gross Amount	35,261
Cap. Rates	58.57%
Cap. Amount	20,652
O&M Amount	14,609

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
INFLATION ALLOWANCE
12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 6.1
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Source: Energy Information Administration
Short-Term Energy Outlook
Publication Date: June 8, 2021

Table 1. U.S. Energy Markets Summary

	2019												2020											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Macroeconomic																								
Real Gross Domestic Product (billion chained 2009 dollars - SAAR)	18,915	18,953	18,984	18,990	19,019	19,053	19,103	19,142	19,180	19,269	19,267	19,226	19,309	19,065	18,658	17,427	17,191	17,289	18,328	18,637	18,825	18,714	18,791	18,878
Percent change from prior year	2.3	2.3	2.2	2	1.9	1.9	2	2.1	2.1	2.6	2.4	2	2.1	0.6	-1.7	-8.2	-9.6	-9.3	-4.1	-2.6	-1.9	-2.9	-2.5	-1.8
GDP Implicit Price Deflator (Index, 2005=100)	111.3	111.5	111.7	112.0	112.2	112.4	112.5	112.6	112.7	112.9	113.0	113.1	113.4	113.4	113.3	112.8	112.8	113.0	113.6	113.9	114.1	114.1	114.4	114.7
Percent change from prior year	2.1	2.0	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.8	1.7	1.5	0.7	0.5	0.5	1.0	1.1	1.2	1.1	1.2	1.4
Real Disposable Personal Income (billion chained 2005 dollars - SAAR)	14,841	14,864	14,856	14,817	14,810	14,827	14,840	14,912	14,934	14,936	14,997	14,960	15,070	15,163	14,949	17,287	16,454	16,150	16,204	15,636	15,715	15,574	15,349	15,378
Percent change from prior year	3.5	3.4	2.9	2.4	2.0	1.9	1.6	1.8	2.0	1.8	2.1	0.8	1.5	2.0	0.6	16.7	11.1	8.9	9.2	4.9	5.2	4.3	2.3	2.8
Manufacturing Production Index (Index, 2012=100)	106.9	106.3	106.3	105.4	105.5	106.1	105.7	106.4	105.7	105.1	106.1	106.4	106.2	106.1	100.8	84.8	88.1	95.0	99.0	100.7	100.6	102.1	103.1	104.0
Percent change from prior year	2.7	1.1	1	-0.4	0.5	0.3	-0.5	-0.3	-1	-1.5	-0.7	-1.1	-0.7	-0.2	-5.2	-19.5	-16.5	-10.5	-6.3	-5.4	-4.7	-2.8	-2.8	-2.2
Weather																								
U.S. Heating Degree-Days	859	719	632	288	158	34	5	10	41	254	589	715	739	652	483	359	156	25	5	7	58	247	421	749
U.S. Cooling Degree-Days	9	18	18	42	130	227	373	336	243	75	16	14	15	13	43	43	105	247	398	357	181	83	32	7
	2021												2022											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Macroeconomic																								
Real Gross Domestic Product (billion chained 2009 dollars - SAAR)	18,976	19,084	19,203	19,375	19,505	19,629	19,728	19,848	19,971	20,128	20,237	20,329	20,389	20,454	20,512	20,560	20,603	20,639	20,660	20,689	20,718	20,744	20,773	20,803
Percent change from prior year	-1.7	0.1	2.9	11.2	13.5	13.5	7.6	6.5	6.1	7.6	7.7	7.7	7.4	7.2	6.8	6.1	5.6	5.1	4.7	4.2	3.7	3.1	2.6	2.3
GDP Implicit Price Deflator (Index, 2005=100)	115.1	115.5	116.0	116.2	116.5	116.7	116.9	117.0	117.2	117.4	117.5	117.7	117.8	118.0	118.2	118.4	118.6	118.8	119.0	119.2	119.4	119.6	119.8	120.0
Percent change from prior year	1.5	1.9	2.4	3	3.3	3.3	2.9	2.8	2.7	2.8	2.7	2.6	2.4	2.1	1.8	1.9	1.8	1.8	1.8	1.8	1.9	1.9	2	2
Real Disposable Personal Income (billion chained 2005 dollars - SAAR)	17,114	15,725	19,336	16,406	16,100	15,908	15,969	15,895	15,829	15,726	15,706	15,724	15,843	15,894	15,939	15,971	16,006	16,038	16,070	16,096	16,117	16,121	16,143	16,170
Percent change from prior year	13.6	3.7	29.3	-5.1	-2.1	-1.5	-1.5	1.7	0.7	1	2.3	2.3	-7.4	1.1	-17.6	-2.6	-0.6	0.8	0.6	1.3	1.8	2.5	2.8	2.8
Manufacturing Production Index (Index, 2012=100)	105.2	100.9	104.2	104.6	104.8	105.5	106.2	107.0	107.8	109.0	109.8	110.4	110.9	111.4	111.8	112.1	112.4	112.6	112.6	112.7	112.8	112.9	113.0	113.1
Percent change from prior year	-0.9	-4.9	3.3	23.3	19	11	7.2	6.3	7.1	6.8	6.4	6.2	5.4	10.4	7.3	7.2	7.2	6.7	6	5.4	4.6	3.6	2.9	2.4
Weather																								
U.S. Heating Degree-Days	802	791	505	305	147	28	7	10	55	243	490	777	848	685	558	312	137	30	7	11	55	243	490	777
U.S. Cooling Degree-Days	10	12	28	37	116	244	355	331	184	67	22	11	11	12	23	41	124	243	353	326	184	67	22	11

Notes: Prices are not adjusted for inflation.

The approximate break between historical and forecast values is shown with estimates and forecasts in italics.

Historical data: Latest data available from Energy Information Administration databases supporting the following reports: Petroleum Supply Monthly , DOE/EIA-0109; Petroleum Supply Annual , DOE/EIA-0340/2; Weekly Petroleum Status Report , DOE/EIA-0208; Petroleum Marketing Monthly , DOE/EIA-0380; Natural Gas Monthly , DOE/EIA-0130; Electric Power Monthly , DOE/EIA-0226; Quarterly Coal Report , DOE/EIA-0121; and International Petroleum Monthly , DOE/EIA-0520.

Minor discrepancies with published historical data are due to independent rounding.

Projections: EIA Regional Short-Term Energy Model. Macroeconomic projections are based on Global Insight Model of the U.S. Economy.

Weather projections from National Oceanic and Atmospheric Administration.

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
 INFLATION ADJUSTMENT - TEST YEAR USC AMORTIZATIONS
 12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 6.2
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LINE NO.	(1) DESCRIPTION	(2) 2020
1	12-30-10-00-404-03-00 SOFTWARE AMORT - OTHER	\$ 343,313
2	12-30-10-00-404-04-00 FINANCIAL REPORT WRITER AMORTIZATION	7,350
3	12-30-10-00-404-23-00 POWER TAX SYSTEM AMORT	30,284
4	12-30-10-00-404-25-00 AMORTIZATION - PAYMENT SYSTEM	1,492
5	Total	<u>\$ 382,438</u>
6	NuNH Allocation	<u>19.85%</u>
7	Amount Billed to NuNH	<u><u>75,914</u></u>

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
INFLATION ADJUSTMENT - TEST YEAR FACILITY LEASES
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 6.3
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LINE NO.	(1) DESCRIPTION	(2) 2020
1	12-30-10-00-9310100 BUILDING RENT	\$ 1,252,284
2	12-30-10-00-9310700 CALL CENTER RENT	158,796
3	12-30-10-00-9310800 PORTSMOUTH RENT EXPENSE	203,988
4	Total	<u>\$ 1,615,068</u>
5	NuNH Allocation	<u>19.85%</u>
6	Amount Billed to NuNH	<u><u>320,591</u></u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
TEST YEAR AMORTIZATION EXPENSE
12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 7.1
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LINE NO.	(1) DESCRIPTION	(2) BEGINNING UNAMORTIZED BALANCE 2020 ⁽¹⁾	(3) 2020 AMORTIZATION EXPENSE	(4) ENDING UNAMORTIZED BALANCE 2020
1	Northern Utilities 303-Intangible Plant:			
2	Power Plant	\$ 36,832	\$ 15,785	\$ 21,047
3	Power Plan Upgrade	15,843	4,045	11,798
4	Meter Data Management	1,093,248	138,095	955,154
5	2019 Voice System Repl	239,694	23,321	214,318
6	2019 Interface Enhancements	13,177	1,355	11,706
7	Customer Facing Enhancements	232,484	23,543	207,039
8	CIS Billing Integration	202,420	69,401	133,018
9	2014 Infrastructure	586	586	-
10	2014 Desktop Client Mgmt	76	76	-
11	2014 Enhance Critical Financial	769	769	-
12	2014 CMS Rewrite	1,113	1,113	-
13	Gen Software enhancements	160	160	-
14	2014 EETS Enhancements	58	58	-
15	Gas Construction Estimating Model	4,875	4,875	-
16	Electronic Large Vol. Meter Form	1,868	1,868	-
17	2014 AMI/SCADA Cyber Project	3,235	3,235	-
18	AMI Vers Updt PLX Functionality	1,837	1,837	-
19	Milssoft IVR Upgrade	186	186	-
20	2015 Infrastructure	6,105	4,884	1,221
21	SalesForce App for Gas Sales	12,609	7,964	4,645
22	First Responder - iRestore	26,280	13,140	13,140
23	General Software Enhancements	2,792	1,289	1,503
24	2016 IT Infrastructure	15,367	6,830	8,537
25	Gas Inspections	5,264	2,339	2,924
26	CMS 2015 Rewrite	7,397	3,288	4,110
27	2015 Cyber Security Enhancements	99	44	55
28	2016 Cyber Security Enhancements	144	64	80
29	Unify Workforce Management System	4,046	1,798	2,248
30	2016 General Software Enhancements	2,274	1,011	1,264
31	Verotrack Upgrade to myWorld	8,985	3,267	5,718
32	Itron MVRs Upgrade	1,262	459	803
33	New Century Dist Risk Alg. Upgrade	5,340	1,942	3,398
34	EETS Enhancements	11,139	3,819	7,320
35	CMS NH/ME Isolation	1,410	484	927
36	Power Plant Upgrade 2016.1	37,818	12,966	24,852
37	LocusView GPS/GIS Track & Trace	75,602	23,262	52,340
38	2017 Cyber Security Enhancements	1,291	387	903
39	2017 IT Infrastructure	5,831	1,749	4,081
40	SalesForce for Gas Sales Phase II	31,670	9,269	22,401
41	Electronic Time Sheet - Phase One	3,504	978	2,526
42	2017 General Software Enhancements	6,778	1,891	4,886
43	UPC/GEM Enhancements	11,339	3,164	8,175
44	Upgrade to MyWorld Insepection	9,754	2,601	7,153
45	Meter Data Archiving Plan	1,566	408	1,157
46	Sales Force Application	12,770	3,331	9,438
47	OMS Web Page Upgrade	3,103	760	2,343
48	Power Plan License Update	45,014	11,024	33,990
49	GIS Version Upgrade	44,529	10,477	34,052
50	IS Project Tracker Replacement	4,233	996	3,237
51	Comp Mgmt Sys Enhncmnts	27,228	6,407	20,821
52	Legacy Interface Job Rewrite	2,337	550	1,787
53	Gen. Software Enhancements 2018	11,362	2,673	8,689
54	TESS Replacement	3,716	874	2,842
55	Salesforce App for Gas Sales	13,714	3,227	10,487
56	UPS Reporting	558	131	427
57	2018 IT Infrastructure	24,422	5,529	18,892
58	WebOps Replacement - Year 1 of 3	11,750	2,564	9,186
59	2018 Cyber Security Enhancements	3,787	826	2,961
60	DEV Staging Refresh	5,309	1,098	4,211
61	Microsoft Exchange Upgrade	2,425	502	1,923
62	Electronic Timesheet - Phase 2	13,540	2,801	10,738
63	CMS Data Reports	1,616	334	1,282
64	ODI Plant Records - GIS Recon	2,323	481	1,843
65	Metersense Upgrade 4.2 to 4.3	267	55	212
66	FCS Upgrade	770	155	615
67	FCS Upgrade	451	75	376
68	FCS Upgrade	9,038	847	8,191
69	MARS/GEM Enhancements	25,798	2,150	23,648
70	General Software Enchancements 2019	11,825	2,209	9,476
71	WebOps Replacement	13,547	2,408	10,948
72	2019 Reporting Blanket	22,028	1,836	20,193
73	Infrastructure PC & Network 2019	196,345	39,585	154,000
74	2019 Regulatory Work Blanket	5,608	467	5,140
75	LocusView Mobile Data Collections	10,880	907	9,973
76	Compliance Mgmt Sys Enhancements	17,992	3,246	14,625
77	GIS Enhancements	3,998	333	3,665
78	Gas SCADA-Historical Database	5,219	435	4,784
79	Metersense Upgrade 2020	6,725	112	6,613
80	Power Plan Upgrade	68,580	1,143	67,437
81	Cyber Security Enhancements	21,917	365	21,552
82	2020 IT Infrastructure Budget	301,181	5,020	296,162
83	2020 Customer Facing Enhancements	138,605	2,310	136,295
84	2020 Interface Enhancements	29,156	486	28,670
85	2020 General Software Enhancements	829	14	815
86	Reporting Blanket	26,585	443	26,142
87	Pipeline Compliance Syst. Integ.	71,157	1,186	69,971
88	EE Tracking & Reporting System	36,085	601	35,483
89	MV-90xi Upgrade v 4.5 to 6.0	9,579	160	9,419
90	MV-90 Comm Bank Module	3,327	577	2,715
91	Salesforce Gas Sales Reporting	15,123	252	14,871
92	LocusView Paperless Work Files	26,180	436	25,744
93	Total NuNH Amortization Expense for Account 303	\$ 3,456,660	\$ 522,006	\$ 2,927,332

NOTES

(1) Projects Installed in 2020 Reflect Total Project Cost

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE YEAR AMORTIZATION EXPENSE

Worksheet 7.2
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LINE NO.	DESCRIPTION	(1)	(2)	(3)
		TOTAL PROJECT COST	ANNUAL AMORTIZATION EXPENSE	
1	Northern Utilities 303-Intangible Plant:			
2	Power Plant	\$ 157,853	\$ 15,785	
3	Power Plan Upgrade	40,449	4,045	
4	Meter Data Management	1,380,945	138,095	
5	2019 Voice System Repl	239,694	24,036	
6	2019 Interface Enhancements	13,177	1,313	
7	Customer Facing Enhancements	232,484	23,219	
8	CIS Billing Integration	902,212	69,401	
9	2015 Infrastructure	24,419	4,884	
10	SalesForce App for Gas Sales	39,818	7,964	
11	First Responder - iRestore	65,700	13,140	
12	General Software Enhancements	6,443	1,289	
13	2016 IT Infrastructure	34,149	6,830	
14	Gas Inspections	11,697	2,340	
15	CMS 2015 Rewrite	16,438	3,288	
16	2015 Cyber Security Enhancements	220	44	
17	2016 Cyber Security Enhancements	321	64	
18	Unify Workforce Management System	8,991	1,798	
19	2016 General Software Enhancements	5,054	1,011	
20	Verotrack Upgrade to myWorld	16,336	3,267	
21	Itron MVRS Upgrade	2,295	459	
22	New Century Dist Risk Alg. Upgrade	9,709	1,942	
23	EETS Enhancements	19,095	3,819	
24	CMS NH/ME Isolation	2,418	484	
25	Power Plant Upgrade 2016.1	64,831	12,966	
26	LocusView GPS/GIS Track & Trace	116,310	23,262	
27	2017 Cyber Security Enhancements	1,936	387	
28	2017 IT Infrastructure	8,746	1,749	
29	SalesForce for Gas Sales Phase II	46,347	9,269	
30	Electronic Time Sheet - Phase One	4,890	978	
31	2017 General Software Enhancements	9,457	1,891	
32	UPC/GEM Enhancements	15,822	3,164	
33	Upgrade to MyWorld Insepction	13,005	2,601	
34	Meter Data Archiving Plan	2,042	408	
35	Sales Force Application	16,656	3,331	
36	OMS Web Page Upgrade	3,800	760	
37	Power Plan License Update	55,120	11,024	
38	GIS Version Upgrade	52,387	10,477	
39	IS Project Tracker Replacement	4,980	996	
40	Comp Mgmt Sys Enhncmnts	31,938	6,407	
41	Legacy Interface Job Rewrite	2,749	550	
42	Gen. Software Enhancements 2018	13,313	2,673	
43	TESS Replacement	4,372	874	
44	Salesforce App for Gas Sales	16,134	3,227	
45	UPS Reporting	657	131	
46	2018 IT Infrastructure	27,627	5,529	
47	WebOps Replacement - Year 1 of 3	12,818	2,564	
48	2018 Cyber Security Enhancements	4,131	826	
49	DEV Staging Refresh	5,492	1,098	
50	Microsoft Exchange Upgrade	2,508	502	
51	Electronic Timesheet - Phase 2	14,006	2,801	
52	CMS Data Reports	1,672	334	
53	ODI Plant Records - GIS Recon	2,403	481	
54	Metersense Upgrade 4.2 to 4.3	277	55	
55	FCS Upgrade	779	157	
56	FCS Upgrade	451	90	
57	FCS Upgrade	9,038	1,927	
58	MARS/GEM Enhancements	25,798	5,160	
59	General Software Enchancements 2019	11,825	2,230	
60	WebOps Replacement	13,547	2,479	
61	2019 Reporting Blanket	22,028	4,406	
62	Infrastructure PC & Network 2019	196,345	39,319	
63	2019 Regulatory Work Blanket	5,608	1,122	
64	LocusView Mobile Data Collections	10,880	2,176	
65	Compliance Mgmt Sys Enhancements	17,992	3,510	
66	GIS Enhancements	3,998	800	
67	Gas SCADA-Historical Database	5,219	1,044	
68	Metersense Upgrade 2020	6,725	1,345	
69	Power Plan Upgrade	68,580	14,205	
70	Cyber Security Enhancements	21,917	4,383	
71	2020 IT Infrastructure Budget	301,181	63,804	
72	2020 Customer Facing Enhancements	138,605	28,287	
73	2020 Interface Enhancements	29,156	5,831	
74	2020 General Software Enhancements	829	166	
75	Reporting Blanket	26,585	5,317	
76	Pipeline Compliance Syst. Integ.	71,157	14,231	
77	EE Tracking & Reporting System	36,085	7,217	
78	MV-90xi Upgrade v 4.5 to 6.0	9,579	1,916	
79	MV-90 Comm Bank Module	3,327	639	
80	Salesforce Gas Sales Reporting	15,123	3,024	
81	LocusView Paperless Work Flows	26,180	5,236	
82	FCS Upgrade	1,041	174	
83	2020 IT Infrastructure Budget	19,607	3,268	
84	2020 Customer Facing Enhancements	25,018	4,170	
85	2020 Interface Enhancements	1,800	300	
86	2020 General Software Enhancements	874	146	
87	Reporting Blanket	7,763	1,294	
88	Power Plan Upgrade	1,840	307	
89	Total NuNH Amortization Expense for Account 303	\$ 4,922,826	\$ 669,511	

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE YEAR AMORTIZATION EXPENSE

Worksheet 7.2
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LINE NO.	(1) DESCRIPTION	(2) TOTAL PROJECT COST	(3) ANNUAL AMORTIZATION EXPENSE
1	Northern Utilities 303-Intangible Plant:		
2	Power Plant	\$ 157,853	\$ 15,785
3	Power Plan Upgrade	40,449	4,045
4	Meter Data Management	1,380,945	138,095
5	2019 Voice System Repl	239,694	24,036
6	2019 Interface Enhancements	13,177	1,313
7	Customer Facing Enhancements	232,484	23,219
8	CIS Billing Integration	902,212	69,401
9	First Responder - iRestore	65,700	13,140
10	General Software Enhancements	6,443	1,289
11	2016 IT Infrastructure	34,149	6,830
12	Gas Inspections	11,697	2,340
13	CMS 2015 Rewrite	16,438	3,288
14	2015 Cyber Security Enhancements	220	44
15	2016 Cyber Security Enhancements	321	64
16	Unify Workforce Management System	8,991	1,798
17	2016 General Software Enhancements	5,054	1,011
18	Verotrack Upgrade to myWorld	16,336	3,267
19	Itron MVRS Upgrade	2,295	459
20	New Century Dist Risk Alg. Upgrade	9,709	1,942
21	EETS Enhancements	19,095	3,819
22	CMS NH/ME Isolation	2,418	484
23	Power Plant Upgrade 2016.1	64,831	12,966
24	LocusView GPS/GIS Track & Trace	116,310	23,262
25	2017 Cyber Security Enhancements	1,936	387
26	2017 IT Infrastructure	8,746	1,749
27	SalesForce for Gas Sales Phase II	46,347	9,269
28	Electronic Time Sheet - Phase One	4,890	978
29	2017 General Software Enhancements	9,457	1,891
30	UPC/GEM Enhancements	15,822	3,164
31	Upgrade to MyWorld Insepection	13,005	2,601
32	Meter Data Archiving Plan	2,042	408
33	Sales Force Application	16,656	3,331
34	OMS Web Page Upgrade	3,800	760
35	Power Plan License Update	55,120	11,024
36	GIS Version Upgrade	52,387	10,477
37	IS Project Tracker Replacement	4,980	996
38	Comp Mgmt Sys Enhncmnts	31,938	6,407
39	Legacy Interface Job Rewrite	2,749	550
40	Gen. Software Enhancements 2018	13,313	2,673
41	TESS Replacement	4,372	874
42	Salesforce App for Gas Sales	16,134	3,227
43	UPS Reporting	657	131
44	2018 IT Infrastructure	27,627	5,529
45	WebOps Replacement - Year 1 of 3	12,818	2,564
46	2018 Cyber Security Enhancements	4,131	826
47	DEV Staging Refresh	5,492	1,098
48	Microsoft Exchange Upgrade	2,508	502
49	Electronic Timesheet - Phase 2	14,006	2,801
50	CMS Data Reports	1,672	334
51	ODI Plant Records - GIS Recon	2,403	481
52	Metersense Upgrade 4.2 to 4.3	277	55
53	FCS Upgrade	779	157
54	FCS Upgrade	451	90
55	FCS Upgrade	9,038	1,927
56	MARS/GEM Enhancements	25,798	5,160
57	General Software Enchancements 2019	11,825	2,230
58	WebOps Replacement	13,547	2,479
59	2019 Reporting Blanket	22,028	4,406
60	Infrastructure PC & Network 2019	196,345	39,319
61	2019 Regulatory Work Blanket	5,608	1,122
62	LocusView Mobile Data Collections	10,880	2,176
63	Compliancy Mgmt Sys Enhancements	17,992	3,510
64	GIS Enhancements	3,998	800
65	Gas SCADA-Historical Database	5,219	1,044
66	Pipeline Compliance Syst. Integ.	71,157	14,231
67	EE Tracking & Reporting System	36,085	7,217
68	MV-90xi Upgrade v 4.5 to 6.0	9,579	1,916
69	MV-90 Comm Bank Module	3,327	639
70	Salesforce Gas Sales Reporting	15,227	2,789
71	LocusView Paperless Work Flows	26,180	5,236
72	FCS Upgrade	25,628	5,882
73	2020 IT Infrastructure	338,113	64,472
74	Customer Facing Enhancements	163,139	31,197
75	Metersense Upgrade 2020	1,549	236
76	2020 Interface Enhancements	32,566	6,222
77	Regulatory Work Blanket	6,568	1,314
78	General Software Enhancements	1,952	383
79	2020 Reporting Blanket	25,045	4,707
80	Cyber Security Enhancements	21,917	4,383
81	Powerplan Upgrade	81,136	15,546
82	Total NuNH Amortization Expense for Account 303	\$ 4,904,784	\$ 657,774

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
TEST YEAR USC AMORTIZATION EXPENSE
12 MONTHS ENDED DECEMBER 31, 2020

Workpaper 7.3
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LINE NO.	(1) DESCRIPTION	(2) BEGINNING UNAMORTIZED BALANCE 2020 ⁽¹⁾	(3) 2020 AMORTIZATION EXPENSE	(4) ENDING UNAMORTIZED BALANCE 2020
1	Financial Report Writer Replacement	\$ 7,350	\$ 7,350	\$ -
2	Flexi Upgrade	10,798	5,890	4,908
3	Dataview Upgrade	4,553	2,602	1,951
4	Powertax Repair Module	75,709	30,284	45,425
5	USC Time & Billing Enhancements	32,287	12,108	20,179
6	PC & Furniture 032018	310,955	143,517	167,437
7	Software - Facilities WO&PM Tracking/Reporting	17,052	4,991	12,061
8	PC & Furniture 082018	312,111	120,817	191,294
9	Upgrade C-Series Bottomline Check Printing	5,597	1,492	4,104
10	ADP Vacation Enhancements	2,635	687	1,948
11	General Infrastructure Enhancements	9,113	2,377	6,736
12	2018 Flexi upgrade	16,530	4,048	12,482
13	Flexi Report Writer	6,370	1,560	4,810
14	USC Furn & Equipment - Hamp&CSC	4,263	867	3,396
15	IT Control Testing Automation	320,088	21,339	298,749
16	HR & Payroll Record Scanning	26,917	1,794	25,122
17	USC 2019 Furniture & PC's	310,711	20,714	289,996
18	Total	<u>\$ 1,473,037</u>	<u>\$ 382,438</u>	<u>\$ 1,090,598</u>
19	NuNH Apportionment		20.18%	
20	Total Billed to NuNH		<u>77,176</u>	

NOTES

(1) Projects Installed in 2020 Reflect Total Project Cost

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE YEAR USC AMORTIZATION EXPENSE**

**Workpaper 7.4
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	(1)	(2)	(3)
LINE NO.	DESCRIPTION	TOTAL PROJECT COST	ANNUAL AMORTIZATION EXPENSE
1	Powertax Repair Module	151,418	30,284
2	USC Time & Billing Enhancements	58,522	12,108
3	PC & Furniture 032018	574,070	143,517
4	Software - Facilities WO&PM Tracking/Reporting	24,953	4,991
5	PC & Furniture 082018	483,268	120,817
6	Upgrade C-Series Bottomline Check Printing	7,462	1,492
7	ADP Vacation Enhancements	3,437	115
8	General Infrastructure Enhancements	11,887	396
9	2018 Flexi upgrade	20,241	4,048
10	Flexi Report Writer	7,800	1,560
11	USC Furn & Equipment - Hamp&CSC	4,335	867
12	IT Control Testing Automation	320,088	64,018
13	HR & Payroll Record Scanning	26,917	5,383
14	USC 2019 Furniture & PC's	310,711	62,142
15	SOX Modernization	75,517	15,103
16	USC Time & Billing Upgrade/Replacement	587,704	117,541
17	2020 Flexi Upgrade	25,531	5,106
18	Total	<u>\$ 2,693,861</u>	<u>\$ 589,489</u>
19	NuNH Apportionment		20.18%
20	Total Billed to NuNH		<u>118,959</u>

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE YEAR USC AMORTIZATION EXPENSE

Workpaper 7.4 Revised
Table of Contents

LINE NO.	DESCRIPTION	(1)	(2)	(3)
			TOTAL PROJECT COST	ANNUAL AMORTIZATION EXPENSE
1	Powertax Repair Module		151,418	30,284
2	USC Time & Billing Enhancements		58,522	12,108
3	PC & Furniture 032018		574,070	143,517
4	Software - Facilities WO&PM Tracking/Reporting		24,953	4,991
5	PC & Furniture 082018		483,268	120,817
6	Upgrade C-Series Bottomline Check Printing		7,462	1,492
7	ADP Vacation Enhancements ⁽¹⁾		3,437	687
8	General Infrastructure Enhancements ⁽¹⁾		11,887	2,377
9	2018 Flexi upgrade		20,241	4,048
10	Flexi Report Writer		7,800	1,560
11	USC Furn & Equipment - Hamp&CSC		4,335	867
12	IT Control Testing Automation		320,088	64,018
13	HR & Payroll Record Scanning		26,917	5,383
14	USC 2019 Furniture & PC's		310,711	62,142
15	SOX Modernization		75,517	15,103
16	USC Time & Billing Upgrade/Replacement ⁽¹⁾		625,663	125,133
17	2020 Flexi Upgrade		25,531	5,106
18	Total		<u>\$ 2,731,820</u>	<u>\$ 599,635</u>
19	NuNH Apportionment			20.18%
20	Total Billed to NuNH			<u>121,006</u>

Notes:

(1) Refer to Company's response to Energy 4-37

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT
12 MONTHS ENDED DECEMBER 21, 2020**

**Workpaper 8.1
Table of Contents**

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	2020 Wages Subj. to Pay Increase ⁽¹⁾	Union Increases			Nonunion Increases		Total Proformed Wages	Wage Increase Exclusion
		2020 3.0%	2021 3.0%	2022 3.0%	2021 3.12%	2022 3.12%		
1	\$ 160,382	-	-	-	\$ 5,004	\$ 5,004	\$ 170,390	\$ 5,004
2	Amount Chargeable to Capital at		48.76%					<u>(2,440)</u>
3	Pay Increase to O&M not subject to SS tax - above 2021 annual limit of \$142,800							<u>\$ 2,564</u>

Notes

(1) For Northern Utilities, Inc. - New Hampshire division employees whose pay increases exceed the wage limit of \$142,800 subject to Social Security tax

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT
UNITIL SERVICE CORP.
12 MONTHS ENDED DECEMBER 31, 2020**

**Workpaper 8.2
Table of Contents**

LINE NO.	(1)	(2)		(3)	(4)	(5)
	2020 Wages Subj. to Pay Increase ⁽¹⁾	Pay Increases			Total Proformed Payroll	Payroll Increase Exclusion
		2021 4.40%	2022 4.40%			
1	\$ 7,922,472	\$ 348,589	\$ 363,927		\$ 8,634,988	\$ 178,772
2	Amount Charged to NuNH at		19.85%			35,486
3	Amount Chargeable to Capital at		31.51%			<u>(11,182)</u>
4	Pay Increase to O&M not subject to SS Tax above 2021 annual limit of \$142,800					<u>\$ 24,305</u>

Notes

(1) For Unitil Service Corp. employees whose pay increases exceed the wage limit of \$142,800 subject

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-1

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

REQUEST:

Prior Cases Revenue Changes: Please provide the docket number, requested distribution revenue increase, and approved distribution revenue for the past three distribution rate cases.

RESPONSE:

DG 17-070 included a requested distribution revenue increase of \$4,728,445. The approved permanent distribution increase was \$2,602,918 and an offsetting annual revenue decrease of \$1,664,189 to reflect the effect of the federal Tax Cuts and Jobs Act of 2017 (“TCJA”) for a net annual revenue increase of \$938,730, which was retroactive to the date temporary rates became effective on August 1, 2017. In addition, a step adjustment of \$2,337,446 was effective May 1, 2018, the same day as the permanent rate increase. One additional step adjustment of \$1,373,158 became effective on May 1, 2019.

DG 13-086 included a requested distribution revenue increase of \$5,171,302. The approved permanent distribution increase was \$4,573,098, which was retroactive to the date temporary rates became effective on July 1, 2013. In addition, a step adjustment of \$1,354,863 was effective May 1, 2014, the same day as the permanent rate increase. One additional step adjustment of \$1,823,611 became effective on May 1, 2015.

DG 11-069 included a requested distribution revenue increase of \$3,774,523. The approved permanent distribution increase was \$2,742,525, which was retroactive to the date temporary rates became effective on August 1, 2011. In addition, a step adjustment of \$818,819 was effective May 1, 2012, the same day as the permanent rate increase.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 6, 2022

FROM: Division of Enforcement, Audit Staff
New Hampshire Department of Energy

SUBJECT: Northern Utilities, Inc., New Hampshire
DG 21-104
FINAL Audit Report

TO: Thomas Frantz, Director, Regulatory Division
Paul Dexter, Attorney, NH Department of Energy

INTRODUCTION

On August 2, 2021, Northern Utilities, Inc. filed with the NH Public Utilities Commission documents supporting its request for an increase in permanent rates for New Hampshire natural gas delivery service, effective for service rendered September 1, 2021. The Company's test year was the twelve-month period ended December 31, 2020.

BACKGROUND

Northern Utilities, Inc. (NU, Northern, the Company) is a regulated gas distribution company operating in New Hampshire and Maine, subject to regulation in both states. Northern is 100% owned by Unitil Corporation. Unitil Service Corp., (USC), another subsidiary of Unitil Corporation, provides shared business functions to its utility affiliates on an "at-cost" basis. The 2020 Cost Allocation Manual at page 180 outlines the services as administrative and professional including regulatory, financial, accounting, human resources, engineering, operations, technology, and energy supply management services. The clients of USC are Unitil Energy Systems Inc. (UES), Fitchburg Gas and Electric (FGE), Northern, Granite State Gas Transmission (GSGT), Unitil Realty and Unitil Corp.

Unitil Corporation's other non-distribution subsidiaries are Unitil Power Corp. (UPC), Unitil Resources, Inc., and Unitil Realty Corp. Unitil Power Corp. has divested all of its long-term power supply contracts but has stranded costs associated with the transmission contracts which are not scheduled to end until 2021. The Company indicated that the stranded costs associated with the contracts from UPC are passed on to UES each month through the UPC Power Bill. Unitil Resources, Inc. is a wholly owned non-regulated subsidiary; Unitil Realty Corp. owns the corporate office building in Hampton, New Hampshire. Usource, Inc. and Usource L.L.C. (collectively, Usource), which the Company divested in the first quarter of 2019, were indirect subsidiaries that were wholly owned by Unitil Resources. Usource provided

energy brokering and advisory services to large commercial and industrial customers in the northeastern United States. Usource was sold to NextEra energy for approximately \$9.8million, after tax, in April 2019.

Audit verified all New Hampshire related companies to the NH Secretary of State's website and acknowledges that they are all in "Good Standing".

Meeting Minutes of the Board of Directors and Committees

Confidential minutes of the Unitil Corporation and Northern Utilities, Inc., from 2017 through 2020, were made available for review while Audit was onsite at the Company's headquarters. Also available for review were Committee minutes of the Audit Committee, Compensation Committee, Executive Committee, Nominating and Governance Committee, and Pension Committee.

The minutes of Unitil Corporation's Board of Directors were reviewed. Within each, minutes of the prior meeting and minutes of committee meetings are reviewed. The Board establishes the members of the committees, approves the officers and their compensation, reviews the financial results for a given period, sets the dividend rate, reviews capital and operating budgets, and ratifies the charters of committees, among many other issues. In 2020 the Board approved the amendment of the retirement plan which was negotiated with the United Steelworkers Union to comply with IRS code. Also approved was SEC Form – S3 to register \$100,000,000 worth of shares of the company's common stock and the equity contributions to UES and Northern in aggregate amount not to exceed \$10 million each.

The Audit Committee is a standing committee of the Board of Directors, comprised of at least 3 independent non-employee members of the board. The Committee oversees internal and external audits, management, and compliance, among other financial and accounting issues.

The Audit Committee issues a director and officer questionnaire which has questions about related party transactions. In 2020 a newly hired director had a continuing relationship with a vendor, which was disclosed on the questionnaire. The Audit committee noted the services, totaling approximately \$160,000, were determined by competitive bid, and was not required to be disclosed.

The Compensation Committee is appointed by the Board with 3 or more independent non-employee members of the board. The Committee is tasked with establishing and interpreting compensation policy, executive compensation salaries, reviewing of Compensation Discussion and Analysis, among other tasks.

In 2020, due to COVID-19, the Committee approved an adjustment of the Earnings per Share (EPS) metric to account for COVID related impacts on the EPS.

The Executive Committee is appointed by the Board with 3 or more independent non-employee members of the board. The existence of the committee may be terminated at any time

by the full board. The committee can act on behalf of the board, make recommendations to the full board, conduct an annual evaluation of CEO, among other tasks.

The Nominating and Governance Committee is appointed by the Board with 3 or more independent non-employee members of the board. The Committee is charged with three primary criteria: (a) review, evaluate and recommend candidates for director positions; (b) evaluate director performance for nomination to additional terms; and (c) review, implement and oversee corporate governance standards, procedures, and practices.

The Pension Committee is comprised of two Unifil officers and three directors with expertise in investments. Discussions center around the investment returns of specific funds, asset allocations, and long-term return on assets, a review of the pension funding level, and the funding level under the federal Employee Retirement Income Security Act (ERISA) funding requirements.

The Northern 2020 minutes were for quarterly meetings at which the prior minutes were reviewed and approved, declarations of dividends were approved, annual meeting dates established, and officers were elected. The dividend declarations made during 2020 were:

- January meeting \$36,665.85 per share payable 4/15/20 to shareholder of record 4/1/2020
- April meeting \$36,665.85 per share payable 7/15/20 to shareholder of record 7/1/2020
- July meeting \$36,665.85 per share payable 10/15/20 to shareholder of record 9/30/20
- October meeting \$36,665.85 per share payable 1/15/21 to shareholder of record 12/30/2020

Chart of Accounts

The Company's chart of accounts was included in the filing in the 1604.01(a) attachment 9 of the Supplementary Filing Requirements, beginning on Bates page 000037. FERC is followed, and the number strings are summarized AA-BB-CC-DD-EEE-FF-GG, where:

- AA - represents the Company identification
- BB - represents the Division identification
- CC - represents the Department identification
- DD - represents the Reconciling Mechanism
- EEE - represents the FERC account
- FF - represents a sub-category
- GG - represents a second sub-category

The specific identifications of each are found in the Company's Cost Allocation Manual (CAM), Appendix B, pages 170-174. The Company code for Northern is 30. The Division identifications related to Northern are:

- 00 Common
- 40 New Hampshire
- 50 Maine

Cost Allocation Manual (CAM)

Audit requested and was provided with the confidential cost allocation manuals for 2016 through 2020. Allocation ratios, discussed in Appendix L3, which spread common NU costs to the NH and ME divisions, are calculated annually based on the prior year net revenue, meters, and plant.

	<u>2016 NH</u>	<u>2016 ME</u>
Net Revenue Allocated Items	43.92%	56.08%
Meter Allocated Items	50.33%	49.67%
Plant Allocated Items	43.99%	56.01%
3-Factor Allocator (R/M/P)	46.08%	53.92%

	<u>2017 NH</u>	<u>2017 ME</u>
Net Revenue Allocated Items	43.95%	56.05%
Meter Allocated Items	50.51%	49.49%
Plant Allocated Items	43.85%	56.15%
3-Factor Allocator (R/M/P)	46.10%	53.90%

	<u>2018 NH</u>	<u>2018 ME</u>
Net Revenue Allocated Items	43.72%	56.28%
Meter Allocated Items	50.63%	49.37%
Plant Allocated Items	43.92%	56.08%
3-Factor Allocator (R/M/P)	46.09%	53.91%

	<u>2019 NH</u>	<u>2019 ME</u>
Net Revenue Allocated Items	44.9%	55.1%
Meter Allocated Items	50.7%	49.3%
Plant Allocated Items	43.9%	56.1%
3-Factor Allocator (R/M/P)	46.5%	53.5%

	<u>2020 NH</u>	<u>2020 ME</u>
Net Revenue Allocated Items	44.9%	55.1%
Meter Allocated Items	50.7%	49.3%
Plant Allocated Items	43.6%	56.4%
3-Factor Allocator (R/M/P)	46.4%	53.6%

Net revenue was calculated using both states' base revenues, less water heater income, CB rental, and equipment protection revenue, plus a weather normalization adjustment. The meter count is based on the total number of annual active meters. The Plant ratio is based on the total utility plant figures in accounts 101, 106, 107, and 121.

The Unitil Corporation Master Allocation Guidelines, (CAM) page 330 of 337 for 2020 reflect the Revenue/Customers/Utility Plant Assets (RCA) spread of time to the regulated retail distribution utility operating companies (UES, FG&E, NU) and Granite State Gas (GSG):

<u>Company</u>	<u>Revenue</u>	<u>Customers</u>	<u>Utility Plant Assets</u>	<u>Average</u>
UES	28%	41%	24%	31%
FG&E	24%	24%	25%	25%
NU-ME	25%	17%	27%	23%
NU-NH	20%	18%	20%	19%
GSG	03%	-0-	04%	02%

USC employees direct charge clients by function when possible. Allocations are made either by job order number (JON), or by employee based on function.

Appendix H of the 2020 Cost Allocation Manual reflects employees by affiliate and by title who have a portion of his or her payroll capitalized. General ledger accounts to which the capitalization and expense payroll distributions should post are included in the CAM.

Northern NH rents 1,920 square feet (80%) of a garage, which is owned by UES and located on Witch Lane in Plaistow, NH. The total space is 2,400 square feet and UES uses the remaining space. Monthly rent for 2020 was identified to be 48.76% or \$945.46 charged to account 30-40-00-00-184-00-00 Eng & Oper Overheads-NH and 51.24% of \$993.54 charged to account 30-40-10-00-931-00-00 Rent-Garage Space-NH.

Northern NH owns its office, which is located on West Road in Portsmouth. Northern NH uses 1,542 square feet of office space, 5,627 square feet of the stockroom, and 2,813 square feet of the garage. The total space available is 24,297, of which NU-NH utilizes 66.9%. Northern NH leases the remaining space to GSG and USC Common. The CAM (pages 264 – 265) identified the rent charges monthly for Granite State Gas to be \$1,220 and for Unitil Service Corp. to be \$16,999. Twelve monthly credits of \$1,220 were booked to account 30-40-10-00-493-00-01 Rental Income-GSG during the test year, and twelve monthly credits of \$16,999 were booked to account 30-40-10-00-493-00-03 Rental Income-USC. Refer to the Revenue portion of this report for further information.

Intercompany Services

The 2020 intercompany services provided to Northern by others were summarized in Table 5-1 of the CAM to be:

Unitil Corporation- tax sharing agreement and cash pool and loan agreement;

Fitchburg Gas and Electric - provides emergency response as requested;

Unitil Energy System – provides emergency response as requested;

Unitil Power Corp.- provides contract release payments;

Unitil Service Corp. – provides emergency response as requested, and the following support services, at cost, as outlined in Table 6-1: Accounting, Finance, Tax, Administration, Business

Development, Cash Management, Communication, Corporate Administration, Customer Support, Distributed Energy Resources, Emergency Management and Compliance, Energy Resource Management, Energy Measurement and Control, Engineering, Executive, Finance, Legal, Corporate, Human Resources, Information Technology Systems, Operations Support, Regulatory.

Refer to the Final Audit report for Unitol Energy Systems, Inc. issued November 12, 2021, and the first Audit Issue relating to the Supplemental Executive Retirement Plan (SERP). Audit believes that allocation of SERP related costs should be borne by shareholders rather than ratepayers. Audit also understands that the Company disagrees. Both the Company and the Department of Energy staff should specify directly whether or not these types of costs, whether the SERP or subsequent supplemental plan, should be paid by ratepayers.

External Audit

Audit was provided with a portion of the Securities and Exchange Commission form 10-K for Unitol Corporation for the years ended 2019 and 2020. Within each is the “Financial Statements and Supplementary Data” section summarizing the Report of Independent Registered Public Accounting Firm. Deloitte & Touche, LLP. Deloitte conducted the integrated audit of the consolidated financial statements of Unitol Corporation, in accordance with the standards established by the Public Company Accounting Oversight Board (PCAOB). The report concluded that the financial statements “*present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 2020, in conformity with the accounting principles generally accepted in the United States of America. Also...the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework (2013) issued by COSO*” (the Committee of Sponsoring Organizations of the Treadway Commission).

Audit also reviewed the management representation letter dated February 2, 2021. The letter was addressed to Deloitte & Touche LLP, signed by the Unitol Chairman of the Board of Directors/Chief Executive Officer/President; the Senior Vice President/Chief Financial Officer/Treasurer; and Chief Accounting Officer/Controller, copied to the Audit Committee of the Board of Directors of Unitol Corporation.

A copy of the complete Unitol Corporation Securities and Exchange Commission 2020 10-K was reviewed at:
<https://www.sec.gov/ix?doc=/Archives/edgar/data/755001/000119312521025264/d6774d10k.htm>

Internal Audit

The Internal Audit staff of Unitol conducted the following audits during the test year related to Northern Utilities, with reports issued on the dates indicated:

- 2019 Pipeline Awareness Program-report issued June 2020
- Compliance Plans: Affiliate Transaction Rules (NH) –report issued June 2020
- 2020 Corporate Sustainability and Responsibility Report and 2020 CDP (Carbon Disclosure Project) Questionnaire – report issued October 2020.
- Gas Supply Controls – report issued January 2021

USC Service Billings

USC performs shared utility services for the affiliates and issues monthly billings for labor, overhead and direct charges. The general overhead charge includes costs for indirect labor and administrative and general expenses. Administrative and general expenses, including USC employee fringe benefits, are those expenses which cannot be directly charged to a specific entity. Refer to the *Payroll* portion of this report for detailed review. During the test year, the USC invoices were billed to:

UES	\$15,987,246
FG&E	\$15,905,090
Unitil Realty	\$ 209,394
Unitil Corporate	\$ 527,332
GSG	\$ 1,292,705
Northern	<u>\$24,812,796</u>
Total	\$58,734,564

Audit reviewed each monthly USC invoice, summarized below for the combined Northern Utilities, Inc.:

Northern Utilities (NH and ME) Monthly USC Invoice Summary

	Corporate & Administration	Customer Services	Energy Services	Engineering & Operations	Regulatory, Finance, Accounting	Technology	sub-total to allocate	Direct Charges	TOTAL USC Invoice
January 2020	\$ 102,321	\$ 442,563	\$ 81,289	\$ 885,307	\$ 406,689	\$ 174,125	\$ 2,092,293	\$ 60,101	\$ 2,152,394
February 2020	\$ 115,858	\$ 413,390	\$ 90,426	\$ 978,881	\$ 438,544	\$ 192,355	\$ 2,229,453	\$ 56,172	\$ 2,285,625
March 2020	\$ 110,135	\$ 491,239	\$ 107,131	\$ 1,162,522	\$ 518,743	\$ 231,032	\$ 2,620,803	\$ 45,297	\$ 2,666,100
April 2020	\$ 83,885	\$ 402,188	\$ 79,150	\$ 863,649	\$ 379,170	\$ 174,550	\$ 1,982,591	\$ 33,911	\$ 2,016,503
May 2020	\$ 83,800	\$ 381,345	\$ 80,379	\$ 877,603	\$ 399,773	\$ 182,424	\$ 2,005,326	\$ 34,011	\$ 2,039,337
June 2020	\$ 68,110	\$ 308,402	\$ 68,432	\$ 752,350	\$ 334,428	\$ 136,506	\$ 1,668,229	\$ 38,868	\$ 1,707,097
July 2020	\$ 78,084	\$ 369,770	\$ 74,782	\$ 847,754	\$ 367,850	\$ 175,171	\$ 1,913,411	\$ 33,297	\$ 1,946,708
August 2020	\$ 77,052	\$ 338,104	\$ 75,021	\$ 870,147	\$ 386,137	\$ 174,990	\$ 1,921,450	\$ 35,915	\$ 1,957,365
September 2020	\$ 70,357	\$ 335,781	\$ 72,920	\$ 797,452	\$ 365,077	\$ 166,326	\$ 1,807,912	\$ 97,972	\$ 1,905,885
October 2020	\$ 76,844	\$ 388,500	\$ 76,575	\$ 869,991	\$ 399,368	\$ 177,783	\$ 1,989,060	\$ 42,260	\$ 2,031,320
November 2020	\$ 85,111	\$ 342,057	\$ 70,937	\$ 796,951	\$ 372,009	\$ 167,386	\$ 1,834,450	\$ 53,270	\$ 1,887,720
December 2020	\$ 75,206	\$ 377,969	\$ 92,636	\$ 982,078	\$ 449,840	\$ 189,832	\$ 2,167,560	\$ 49,182	\$ 2,216,743
TOTAL 2020	\$ 1,026,763	\$ 4,591,307	\$ 969,677	\$ 10,684,684	\$ 4,817,628	\$ 2,142,480	\$ 24,232,539	\$ 580,257	\$ 24,812,796

The service bills issued to NU were allocated:

NU-Common	\$21,135,187
NU-NH	\$ 1,997,545
NU-ME	<u>\$ 1,680,064</u>
Total for 2020	\$24,812,796

NU-Common costs are allocated with journal entries noted as “target allocation”. See Appendix L3 of the Cost Allocation manual (intra-company) which reflected 46.4% as NU-NH and 53.6% as NU-ME. Refer to the *Plant* and *Operations and Maintenance* portions of this report for further discussion. Audit reviewed all of the general ledger accounts to which the USC invoices were posted. 30-00 are Common, 30-40 are NU-NH, 30-50 are NU-ME, and 30-X0 are accounts for which the three divisions have similar account numbers.

<u>Account</u>	<u>NU-NH</u>	<u>NH-ME</u>	<u>NU-Common</u>
30-X0-00-00-163-01-00	\$ 166,417.49	\$ 209,681.42	
30-X0-00-00-184-00-00	\$ 217,180.36	\$ 282,219.05	\$ 7,671,543.19
30-X0-10-00-851-02-01	\$ (7,429.33)	\$ (5,755.01)	
30-X0-10-00-880-02-01	\$ (2,299,808.94)	\$ (2,742,487.73)	
30-X0-10-00-923-03-01	\$ (62,166.97)	\$ (70,718.83)	\$ (2,483,176.36)
30-57-29-50-418-06-00		\$ 49,770.76	
30-00-10-00-813-01-00			\$ 969,259.33
30-X0-10-00-851-02-00	\$ 9,905.78	\$ 7,673.34	
30-X0-10-00-880-02-00	\$ 3,199,712.96	\$ 3,673,945.01	
30-00-10-00-903-06-00			\$ 3,573,933.99
30-X0-10-00-923-03-00	\$ 247,349.05	\$ 275,736.06	\$ 10,823,370.00
30-00-10-00-923-03-05			\$ 580,257.22
30-47-29-50-923-06-00	\$ 53,492.04		
30-49-02-XX-908-XX-XX	\$ 472,892.52		
	\$ 1,997,544.96	\$ 1,680,064.07	\$ 21,135,187.37

FASB ASU 2016-02 Operating Leases

In February of 2016, the Financial Accounting Standards Board (FASB) issued guidance, with amendments in 2018, to increase transparency and comparability among organizations by recognizing lease assets and corresponding liabilities on the balance sheet.

The FERC Division of Audits and Accounting, Office of Enforcement issued guidance relating to the FASB Accounting Standards Update (ASU) No. 2016-02, Leases, on December 27, 2018, in docket All 9-1-000. That guidance states that capital leases are recognized on the balance sheet in Account 101.1 (Property under Capital Leases), Account 227 (Obligations under Capital Leases-Noncurrent), and Account 243 (Obligations under Capital Leases-Current). In response to a question about how jurisdictional entities should account for operating leases on the balance sheet for Commission accounting and reporting purposes, the FERC response was: *“Under the Commission’s accounting regulations, operating leases are not required to be capitalized and reported in the balance sheet accounts established for capital leases. However, a jurisdictional entity may choose to implement the ASU’s guidance to report operating leases with a lease term in excess of 12 months as right of use assets, with corresponding lease*

obligations, in the balance sheet accounts established for capital leases. Entities that choose to do so must: (1) record the capitalized operating leases using the existing FERC balance sheet accounts for capital leases (Accounts 101.1, 227, and 243); (2) maintain unique subaccounts and auxiliary ledgers to separately identify and track the capitalized operating lease amounts included in the capital lease balance sheet accounts; (3) provide footnote disclosures in Notes to the Financial Statements of the FERC Form Nos. 1, I-F, 2, 2-A, and 60 of any amounts included in the capital lease balance sheet accounts that relate to operating leases; (4) have in place strong internal controls to ensure that there is no impact to the existing ratemaking treatment or practices for leases.”

For Northern (NH), Audit noted the balances for Operating Leases as of 12/31/2020 as follows:

30-40-00-00-101-02-00 Right of Use Assets	\$951,165.08	
30-40-00-00-101-02-01 Contra Right of Use Assets		\$(304,269.83)
30-40-00-00-227-01-00 Oper Lease Oblig-Noncurrent		\$(435,353.25)
30-40-00-00-243-01-00 Oper Lease Oblig-Current		\$(211,542.00)
	\$951,165.08	\$(951,165.08)

Audit was unable to verify the above asset and liability accounts to the F-16, PUC Annual Report. As explained to Audit in the UES rate case audit, the Company researched FERC, and concluded that the accounts above could be included or excluded on the annual report. The Company chose to exclude the accounts. When clarification was requested, the Company responded: *“We were required to follow ASU 2016-02 for GAAP purposes (and our external reporting requirements), it was not a choice for us. Thus, new accounts were created and tracking of the activity for those accounts was implemented. However, the choice that we do have is at the FERC level, which we exercised not to make that change.”* The -101-02-00 and -101-02-01 accounts are also not included within the Revenue Requirement schedule 4.1 of the filing.

Audit requested clarification of the income statement impact, if any, of the referenced operating leases, and was told that the lease payments are primarily for vehicles, which post to vehicle clearing accounts. The leases related to 1 2016 Chevrolet Cruze car, 6 Chevrolet Express vans, 21 trucks (Chevrolets and Fords), 1 trailer, 1 pneumatic tire forklift, 1 loader backhoe, and 3 copiers were all reviewed.

The allocation of the Operating leases was noted in the Revenue Requirement work-paper 5.6 that summarized the 2020 \$811,109 vehicle clearing to Expensed and Capitalized.

**VEHICLE CLEARING ACCOUNT
TOTAL CHARGES & TOTAL CLEARINGS TO EXPENSE & CAPITAL
12 MONTHS ENDED DECEMBER 31, 2020**

Total Clearings from Clearing Account:

	Expense	Capital	NuNH Total GL	Total Sch 12
Jan-20	28,022	47,758	75,780	75,780
Feb-20	29,141	31,696	60,837	60,837
Mar-20	29,755	29,979	59,735	59,735
Apr-20	26,484	25,236	51,719	51,719
May-20	30,248	31,224	61,473	61,473
Jun-20	36,093	51,333	87,427	87,427
Jul-20	23,989	40,521	64,510	64,510
Aug-20	20,998	29,112	50,111	50,111
Sep-20	25,188	32,644	57,832	57,832
Oct-20	83,045	146,259	229,304	229,304
Nov-20	1,576	4,394	5,970	5,970
Dec-20	1,505	4,908	6,413	6,413
	336,045	475,064	811,109	811,109

Capitalization Rate 58.57%

Credits during the test year were noted for journal code NPA820, Transportation, in:

30-40-00-00-184-02-00 Trans Exp Light Vehicles-NH	\$(703,804.53)
30-40-00-00-184-03-00 Heavy Trucks-NH	<u>\$(107,304.50)</u>
	\$(811,109.03)

Audit tested the April 2020 and October 2020 allocations for accuracy by reviewing the complete journal entries:

	April	October
Expensed	\$26,483.91	\$ 83,044.87
Capitalized	<u>\$25,235.52</u>	<u>\$146,258.68</u>
	\$51,719.43	\$229,303.55

<u>Account Number</u>	<u>Account Description</u>	<u>April 2020</u>		<u>October 2020</u>	
		<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-184-02-00	TRANS EXP LIGHT VEHICLES - NH	\$ -	\$ (51,719.43)		\$ (215,956.05)
30-40-00-00-184-03-00	HEAVY TRUCKS-NH	\$ -	\$ -		\$ (13,347.50)
30-40-00-00-107-00-00	GAS CONST IN PROGRESS NH	\$ -		\$ 11,637.50	
30-40-00-00-163-01-00	STOREROOM OPERATING EXPENSE - NH	\$ 1,023.35		\$ 798.09	
30-40-00-00-184-00-00	ENG & OPER OVERHEADS - NH	\$ 24,212.17		\$ 133,823.09	
	subtotal Capitalized	\$ 25,235.52		\$ 146,258.68	
30-40-80-00-870-00-00	DISTRIBUTION OPERATION SUPERVISION - NH	\$ 462.69		\$ 4,669.77	
30-40-80-00-874-24-00	MAINS+SERV-TRANSP	\$ 1,756.67		\$ 2,735.04	
30-40-80-00-875-04-00	REGULATION SUPERVISION	\$ 473.36		\$ 3,606.39	
30-40-80-00-878-04-01	METER & SERVICE TRANSPORTATION EXP	\$ 13,616.86		\$ 16,396.92	
30-40-80-00-878-06-00	METER & SERVICE SUPERVISION	\$ 372.48		\$ 2,507.49	
30-40-80-00-878-07-00	MTR & HSE REG - READ IN/OUTS - NH	\$ 269.66		\$ 7,308.24	
30-40-80-00-878-08-00	MTR & HSE REG - FIELD INVESTIGATE	\$ 269.66		\$ 7,308.24	
30-40-80-00-878-09-00	MTR & HSE REG - INVESTIGATE DEVICE/ERT	\$ 549.02		\$ 7,691.19	
30-40-80-00-878-10-00	MTR & HSE REG - CHG MTR ERT - NH	\$ 134.83		\$ 3,653.01	
30-40-80-00-878-30-00	MTR & HSE REG - MTR INSTRUM - NH	\$ 1,290.10		\$ 1,390.83	
30-40-80-00-878-86-00	MTR & HSE REG - MTR INSTRUM MAINT - ME BY NH	\$ 2,582.14		\$ 2,782.77	
30-40-80-00-885-00-00	MAINTENANCE GEN SUPERVISION - NH	\$ 460.75		\$ 4,650.90	
30-40-80-00-887-01-01	MAINT OF MAINS TRANSPORTATION EXP- NH	\$ 1,704.29		\$ 2,888.22	
30-40-80-00-892-00-00	MAINT OF SERVICES NH	\$ -		\$ 1,330.00	
30-40-80-00-892-14-00	MAINT SERV- TRANSPORTATION EXP - NH	\$ 1,019.47		\$ 1,629.48	
30-40-80-00-902-00-00	CUST ACCTS METER READ EXP- NH	\$ 404.49		\$ 10,962.36	
30-40-80-00-903-00-00	CREDIT DISCONNECTION - NH	\$ 1,117.44		\$ 1,534.02	
	subtotal Expenses	\$ 26,483.91		\$ 83,044.87	
	Total April 2020 Vehicle Clearing Enty	\$ 51,719.43	\$ (51,719.43)	\$ 229,303.55	\$ (229,303.55)

Refer to the Plant section of this report for testing to projects of the capitalized accounts, and to the Operations and Maintenance section of this report for discussions of the expense accounts referenced above.

OPERATING and CONSTRUCTION BUDGETS

Audit reviewed the operating and construction budgets for the 2020 test-year and compared the budgeted dollar amounts to the actual dollar amounts for the year. The following is a summary of capital additions for Northern Utilities NH, provided to Audit Staff:

<u>Category</u>	<u>Budgeted 2020</u>	<u>Actual 2020</u>	<u>Increase/(Decrease)</u>
Mains Extension	\$3,479,000	\$5,551,000	\$2,072,000
Unprotected Pipe Equipment	\$0	\$0	\$0
Distribution Projects	\$10,051,000	\$8,709,000	(\$1,342,000)
Distribution System Improvement	\$538,000	\$276,000	(\$262,000)
Customer Additions	\$5,713,000	\$5,746,000	\$33,000
Annual Requirements-Other	\$2,141,000	\$1,686,000	(\$455,000)
Other	<u>\$154,000</u>	<u>\$122,000</u>	<u>(\$32,000)</u>
Total	\$22,076,000	\$22,091,000	\$14,000

The Other category the Company indicated includes structures, tools, shop, garage equipment, communications equipment, and office furniture/equipment that cannot be anticipated at budget time. The remaining categories are self-explanatory.

The total construction budget for 2020, when compared to the actual amounts at year-end, shows a net increase of \$14,000 or 0.06%.

Construction Budget Authorization Policy

Audit reviewed the DE 21-030 Staff Data Request 2-44 for the Unitil Authorization and Capital Budgeting Policy. The authorizations policy from February 2020 indicates a revision or supplement are only required for any major changes in scope or spending, or if the actual amount spent is 15% and \$5,000 higher when comparing the authorized dollars with the actual spending. Then a revised authorization must be prepared and the appropriate approvals received prior to continuing work. Audit reviewed 12 individual work order additions to verify the work order/documentation complied with the Company authorization policy.

Capital Budget Policy

Audit reviewed the DE 21-030 Staff Data Request 2-44 Unitil Capital Budget Policy from August 2014. The policy indicates budgets are done every year and each project must be justified with detailed documentation and signed/approved by Unitil management. The Capital Budget Policy indicates there are three types of priority projects. The priority 1 projects are those that are essential to distribute safe and reliable energy. This includes meter purchases and installation, new gas mains and services, water heater and burner replacement with regard to Northern NH. The priority #2 projects are those that support essential priority projects such as state/municipal projects, legal/regulatory requirements, and facilities required. The priority #3 projects include system reliability, projects to improve/enhance gas service, and replacement of old/obsolete equipment

Plant

The 2020 PUC Annual Report reflects a combined balance sheet for Northern Utilities, representing the assets and liabilities of both New Hampshire and Maine. As part of each desk audit conducted by (the former PUC, now Department of Energy) Audit division, a breakdown of the balance sheet by NH, ME, or Common assets is requested of the Company and provided. Audit verified each Annual Report to the general ledger breakdown for 2017 – 2020 without exception. The figures were also verified to the Filing Schedule 2 Bates Page 126. The New Hampshire detail follows:

Utility Plant	New Hampshire Division						
	12/31/2020	% Change over prior year	12/31/2019	% Change over prior year	12/31/2018	% Change over prior year	12/31/2017
Utility Plant (101-116,114):							
30-40-00-00-101-00-00 NH Gas Plant in Service	\$279,798,572	10%	\$255,231,395	8%	\$236,187,621	7%	\$221,266,863
30-40-00-00-101-03-00 Gas Plant in Service-NH-CIS	\$ 5,585,630	0%	\$ 5,585,630	100%	\$ -	0%	\$ -
30-40-00-00-106-00-00 GS Cmpl Cnst N. CL-NH	\$ 13,988,050	-28%	\$ 19,459,684	12%	\$ 17,432,278	25%	\$ 13,996,649
30-40-00-00-114-00-00 Gross Plant Acq. NH CIS	\$ -	-100%	\$ (9,408,175)	0%	\$ (9,408,175)	0%	\$ (9,408,175)
Total: Utility Plant (101-106, 114)	\$299,372,252	11%	\$270,868,534	11%	\$244,211,724	8%	\$225,855,337
Construction Work in Progress (107) :							
30-40-00-00-107-00-00 Gas CWIP-NH	\$ 5,349,614	39%	\$ 3,857,934	2%	\$ 3,794,510	57%	\$ 2,424,103
30-40-00-00-107-01-02 RWIP Gas Salvage	\$ -	-100%	\$ (11,358)	415%	\$ (2,204)	-100%	\$ -
30-40-00-00-107-01-03 RWIP Gas COR	\$ 685,118	-52%	\$ 1,429,548	-34%	\$ 2,179,018	92%	\$ 1,137,496
30-40-00-00-107-90-00 CWIP-Const (GA)	\$ 376,414	-12%	\$ 430,054	25%	\$ 345,382	10%	\$ 313,700
Total Construction Work in Progress (107)	\$ 6,411,146	12%	\$ 5,706,179	-10%	\$ 6,316,706	63%	\$ 3,875,298
Total Utility Plant	\$305,783,398	11%	\$276,574,713	10%	\$250,528,430	9%	\$229,730,635
(Less) Accum Prov. For Depr. Amor. Dep. (108,111,115):							
30-40-00-00-108-01-00 Accum Dep. Gen. Plant-NH	\$ (83,125,801)	6%	\$ (78,067,914)	7%	\$ (73,155,182)	7%	\$ (68,189,334)
30-40-00-00-111-05-00 Accum Amort. Computer SW-NH	\$ (4,313,385)	14%	\$ (3,791,379)	13%	\$ (3,362,388)	14%	\$ (2,941,133)
30-40-00-00-111-07-00 Accum Amort. CIS-NH	\$ (584,076)	102%	\$ (289,105)	-100%	\$ -	0%	\$ -
30-40-00-00-115-00-00 Accum. Amort. PAA-NH	\$ -	-100%	\$ 9,408,175	0%	\$ 9,408,175	10%	\$ 8,545,759
Total: Accum. Prov for Depr. Amor. Depl (108,111,115)	\$ (88,023,262)	21%	\$ (72,740,224)	8%	\$ (67,109,395)	7%	\$ (62,584,706)
Net Utility Plant	\$217,760,134	7%	\$203,834,489	11%	\$183,419,035	10%	\$167,145,929

The Plant subsystem, PowerPlan, reflects the assets by FERC specific accounts, all of which roll into either the 101 Plant in Service general ledger account, or the 106 Completed Construction not Classified account. The plant detail provided to Audit reflects the 101 accounts to be \$285,384,202 and \$13,988,050 for the 106 Completed Construction account.

30-40-00-00-101-00-00 NH Gas Plant in Service	\$279,798,572
30-40-00-00-101-90-00 NH Gas Plant in Service-CIS	\$5,585,630
Subtotal for 101	\$285,384,202
30-40-00-00-106-00-00 NH Gas Completed Construction-Not Classified	\$ 13,988,050
Total Plant in Service	\$299,372,252

The new Customer Information System (CIS) was needed because the manner in which the energy industry interacts with customers, regulators, and businesses, is different than in the past. The \$5,585,630 is the 2020 final remaining portion to be recovered that was approved in the UES DE 18-036 Step Adjustment which went into service in 2017. A smaller part of the system, the Meter Device Management System (MDMS), is being amortized over 10 years, with the majority of the system being amortized over 20 years. The MDMS will be fully amortized in December 2027.

Plant Additions, Retirements, Adjustments/Transfers

The Annual Reports for the years 2017 through 2020 reflect:

<u>Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Net Adjustments/Transfers</u>
2017	\$25,817,803	(\$420,378)	\$0
2018	\$19,596,158	(\$1,239,769)	\$0
2019	\$27,580,411	(\$923,602)	\$0
2020	\$21,785,965	(\$2,690,422)	\$0

Calendar Year 2020 Activity

<u>Account</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
303 Misc. Intangible Plant	\$ 11,946,738	\$ 879,609			\$ 12,826,347
Total Intangible Plant	\$ 11,946,738	\$ 879,609			\$ 12,826,347
325.5 Other Land Rights	\$ 6,816				\$ 6,816
328 Field Meas. And Reg. Stat. Structures	\$ 161,860		\$ 75,459	\$ (86,401)	\$ -
337 Other Equipment	\$ 91,796		\$ 91,162	\$ (634)	\$ -
Total Prod. And Gathering Plant	\$ 260,472	\$ -	\$ 166,621	\$ (87,035)	\$ 6,816
374 Land and Land Rights	\$ 107,022				\$ 107,022
375 Structures and Improvements	\$ 3,174,109	\$ 1,634	\$ 1,906	\$ 87,034	\$ 3,260,871
376 Mains	\$ 142,133,280	\$ 10,478,223	\$ 678,914		\$ 151,932,588
378 Meas. And Reg. Station Equip-General	\$ 6,450,020	\$ 1,118,681	\$ 279,719		\$ 7,288,982
379 Meas. And Reg. Station Equip-City Gate	\$ 39,266				\$ 39,266
380 Services	\$ 76,710,911	\$ 6,213,940	\$ 87,805		\$ 82,837,046
381 Meters	\$ 4,264,762	\$ 600,947	\$ 241,099		\$ 4,624,610
382 Meter Installations	\$ 25,134,484	\$ 1,975,387	\$ 1,108,185		\$ 26,001,686
383 House Regulators	\$ 715,060	\$ 18,490			\$ 733,550
386 Other Property on Customers Premises	\$ 1,968,949	\$ 98,855	\$ 88,909		\$ 1,978,895
Total Distribution Plant	\$ 260,697,862	\$ 20,506,157	\$ 2,486,537	\$ 87,034	\$ 278,804,516
	\$ -				\$ -
389 Land and Land Rights	\$ 232,947				\$ 232,947
391 Office Furniture and Equipment	\$ 450,698	\$ 57,437			\$ 508,135
393 Stores Equipment	\$ 31,520				\$ 31,520
394 Tools, Shop, and Garage Equipment	\$ 1,366,234	\$ 64,187			\$ 1,430,421
396 Power Operated Equipment	\$ 75,266				\$ 75,266
397 Communication Equipment	\$ 5,214,972	\$ 278,575	\$ 37,264		\$ 5,456,283
Total General Plant	\$ 7,371,637	\$ 400,199	\$ 37,264	\$ -	\$ 7,734,572
Total NH Gas Plant in Service	\$ 280,276,709	\$ 21,785,965	\$ 2,690,422	\$ -	\$ 299,372,251

Step Adjustments and Prior Period Audit Reports

The DG 17-070 Settlement Agreement dated April 6, 2018 authorized two step adjustments; the first to be effective in rates on May 1, 2018, and the second May 1, 2019. The Commission Order 26,129 approved the settlement agreement on May 2, 2018. The second step

adjustment was optional and if the Company elected this option, they were not authorized to file for rates earlier than a December 31, 2020 test year. The Company did ultimately pursue the second step adjustment. The first step adjustment on Exhibit 3 indicated the revenue requirement for the step adjustment was \$2,337,446. The projects included Gas Main Extensions, NH Main Replacement Program, Rochester Reinforcement, Farm Tap Replacements, and Gas Highway State/City Projects. The second step adjustment effective May 1, 2019, had a revenue requirement of \$2,215,273. The projects that were eligible were similar to the first step adjustment.

An Audit Report was not conducted for the first step adjustment as it was part of the Settlement Agreement. Exhibit 3 of the DG 17-070 Settlement Agreement indicated there was \$15,471,311 in 2017 capital additions (excluding costs of removal). Bates page 000124 details the projects that sum to the 2017 total. Bates page 000125 summarizes the plant investments:

376-20 Mains, Coated/Wrapped-G	\$ 799,112
376-40 Mains, Plastic-G	\$12,142,973
376-60 Mains, Cathodic Protection-G	\$ 73,841
380-00 Services-G	<u>\$ 2,455,384</u>
Step 1	\$15,471,311

A second step adjustment, for implementation of adjusted rates effective May 1, 2019, was audited with a report issued on April 9, 2019. Audit reviewed the accounting for both the first and second step plant additions for compliance with the settlement agreement. Of the reported step 2 total \$10,031,783 in capital spending, \$687,411 was noted to be the Cost of Removal. That was identified as an issue, to which the Company indicated that the costs remain in CWIP until the project is unitized. At unitization, account 106, Completed Construction not Classified is credited for the cost of removal and account 108, Accumulated Depreciation is debited. Less the cost of removal this resulted in a net \$9,344,372 in capital additions during 2018 that were audited.

<u>FERC Account</u>	<u>Account Description</u>	<u>2018 Additions</u>
376.2	Mains-Coated/Wrapped-G	\$ 5,888,297
376.4	Mains-Plastic-G	\$ 3,732,115
376.6	Mains-Cathodic Protection-G	\$ (57,895)
380	Services	\$ (218,145)
Total		<u>\$ 9,344,372</u>

The 2018 Step Adjustment #2 included project N-008030, the Rochester Main project that was unitized to the following accounts in December 2018:

376-20 Mains, Coated/Wrapped-G	\$ 5,349,752
376-40 Mains, Plastic-G	\$ 3,378
380-00 Services-G	\$ 65,232
383-00 Regulators	<u>\$ 3,378</u>
Total for Project N-008030	\$ 5,421,740

The first audit issue related to the Company including the cost of removal in the installed plant in service, and inclusion of it when calculating the property tax expense; retirements relating to the Bare Steel program; and negative installation costs. The Company clarified and Audit Staff agreed that the property tax calculation was in accordance with the DG 17-070 Settlement Agreement. Explanations relating to the Bare Steel program and review of cost of removal documented. Audit reiterated that the rate base impact vs. the accounting treatment of including the cost of removal as a component of installation costs are not the same.

The second audit issue related to project costs in excess of the budget. The issue identifies several projects that were reviewed for which the sampled project exceeded the Construction Authorization Form. The Company provided the updated project authorization forms in compliance with Company authorization policy that indicates any project that exceeds the authorized spending amount by 15% and \$5,000 required a revised authorization to be submitted and approved by the appropriate parties to continue work. Audit Staff concurred with the updated authorization forms provided.

The third audit issue related to installation costs that were overstated. The issue indicated there were several projects where the install costs were negative figures. The Company reviewed the projects in question and identified one project N-7046-173452 included cost of removal charges and charges associated with the FERC account 380 in services that were previously included for recovery in the first step adjustment. The Audit Response indicates Audit Staff appreciated the clarification by the Company and the recalculation of the Step 1 adjustment ratepayer impact was an immaterial 0.2% of the revenue requirement.

The fourth audit issue related to the Contribution in Aid of Construction that should have been reduced by \$2,061 as the Construction Authorization Form did not match the Sundry Revenue. The Company agreed to remove the charges from the revenue requirement on the updated filing schedule. Audit concurred with the Company and the Company indicated they updated the filing schedules for the step adjustment filing schedule attachment 2.

Continuing Property Records

The Company provided Continuing Property Records for 2017-2020 that show the unitized to plant in service account beginning balances, additions, retirements, costs of removal, and ending balances. The CPRs also showed the 300 subaccount number, location, date placed into service, Asset ID, and the book cost of individual assets. The CPRs also showed the Accumulated Depreciation balances as of December 31, 2020.

E-22s and Construction Budgets

Audit reviewed the 2017-2020 E-22s Report of Proposed Capital Expenditures that indicate the estimated project costs for 2017 through 2020. The 2017 projects were estimated to cost \$14,529,546. The 2018 projects were estimated to cost \$18,402,556. The 2019 projects were estimated to cost \$23,124,876. The 2020 projects were estimated to cost \$19,604,190.

The 2017-2020 projects included routine projects such as main replacements, City/State Projects, new main growth in Rochester, new main extensions, and new mains related to Tuscan Village in Salem, new mains in Epping, system improvements, new service lines, meter replacements, and service renewals.

Bid Process/Bids

The Company stated: *“Although there is no formal procurement process, Procurement is charged with the responsibility of maintaining an open and competitive process for procuring goods and services. Bids and proposals from competing suppliers are evaluated by internal Subject Matter Experts and/or Procurement. As part of their stewardship responsibilities, departmental end-users are encouraged to compare prices between suppliers and/or service providers even when a formal bidding procedure is not practical. Procurement acknowledges that the lowest price may not always be the best value and consideration of the total cost of ownership is needed. (purchase price, transportation, handling, inspection, quality, rework, maintenance, disposal, experience, safety record, resources, financial stability, at a minimum are all factors in decision-making).”* The Company also indicated their service providers and vendors are vetted for risk associated with the business relationship to determine needs such as insurance, background checks, IT Security Compliance, Non-Disclosure Agreements, and Federal Motor Carrier Safety Administration (FMCSA) Requirements.

Capital Leases

The Company did not have any capitalized leases with regards to fixed assets during the test year for Northern. All the leases for Northern are operating leases. The capital leases exist at the USC level, and the costs are passed through the USC monthly service billings. See the Operating Leases section of this report for operational leases that relate to trucks, trailers, and forklifts.

Overheads/Cost Allocations

The Company provided the monthly overhead factors for the Northern Utilities NH Division for the 2020 test year. Overhead rates are set based on annual budgets at the beginning of each year and adjusted quarterly, or as necessary. The Company indicated Maine and NH capitalized overhead rates are calculated separately. The average 2020 rate for payroll related overheads for Northern NH are listed as follows:

<u>Payroll related overheads include:</u>	<u>2020 Average Rate</u>
Workers Compensation Insurance	2.47%
Medical Costs	33.36%
401k Costs	5.12%
PBOP Costs (Post-retirement Benefits other than Pension)	7.56%
Small Tools	4.94%
Pension Costs	8.40%
Payroll Taxes	9.41%

The payroll related overhead rates are applied to the monthly payroll dollars per the Company.

The average Materials and Supplies related overheads for both divisions in 2020 include:

	<u>2020 Average Rate</u>
Exempt Stock	24.08%
M&S Storeroom	42.83%

The Materials and Supplies overheads are applied (as appropriate) to Materials and Supplies specifically used for the work order. The overheads are not applied to any other work order cost category.

Transportation expenses are directly charged based on the construction work order sheets completed in the field.

Vouchers are also directly charged to the work order. The expenses become part of the “base” charge against which the Construction Overheads are calculated.

Construction E&O Overheads are based on the sum of the monthly payroll and related overheads, Materials and Supplies and related overheads, transportation, and vouchers. The average rate for 2020 was 34.36%

Construction Overheads-General are applied to all charges noted in the Construction E&O above and include the E&O Overhead. The average rate for 2020 was 6.64%

There were not any overheads associated with water heaters.

Materials

The Company purchases materials at cost and is not authorized a markup. The Company indicated physical inventories are done quarterly. The most recent physical inventory was performed for Northern NH in December 2020 with regard to the test year. Audit reviewed materials inventory used in individual projects. See the Plant Additions section below for further review.

Plant Additions

Audit reviewed work order additions for 2017-2020. Each work order plant record included a PDF copy of the original documents which was provided to Audit called a “My Cost Record”. The Company provided pivot tables of the “My Cost Records” and Construction Authorization Forms that list the amount budgeted and estimated amount spent on a work order, as well as any necessary approvals required for the work order.

2017

There was \$25,817,803 in plant additions during 2017 per the Annual Report. The Exhibit 3 of the DG 17-070 Rate Case Settlement Agreement indicated there was \$15,471,311 in capital addition during calendar year 2017, considered as the first step adjustment. The remaining \$10,346,492 in 2017 additions were not part of the DG 17-070 first step adjustment. Audit reviewed \$2,798,890 in 2017 capital additions or 27% of the remaining plant additions.

Work Order N-007005-00173300	\$509,811
Work Order N-007078-00170024	\$1,380,945
Work Order N-007006-00173301	<u>\$908,134</u>
2017 Total	\$2,798,890

Each work order was verified to the My Cost Record pivot tables/PDF files which identifies the costs by the following categories:

	2017	2017	2017
	N-007005	N-007078	N-007006
	00173300	00170024	00173301
Payroll	\$ -	\$ -	\$161,838
MDS Payroll	\$ -	\$ -	\$ 425
Payroll-OT	\$ -	\$ -	\$ 44,040
M&S Issue	\$ -	\$ -	\$123,510
Vouchers	\$ 318,094	\$ -	\$ 92,108
M&S Stores Expense	\$ -	\$ -	\$ 45,618
Exempt Stock Expense	\$ -	\$ -	\$ 13,302
Exempt Stock Stores Exp.	\$ -	\$ -	\$ 5,761
Worker's Comp. Ins.	\$ -	\$ -	\$ 6,170
Medical Costs Capitalized	\$ -	\$ -	\$ 66,882
401k Costs Capitalized	\$ -	\$ -	\$ 9,099
PBOP Costs Capitalized	\$ -	\$ -	\$ 40,118
Construction E&O OH	\$ 146,912	\$ -	\$268,455
Construction Overhead	\$ 24,981	\$ -	\$ 40,580
Small Tools	\$ -	\$ -	\$ 7,858
Interest Capitalized	\$ 4,949	\$ 17,340	\$ 7,139
Payroll Taxes Capitalized	\$ -	\$ -	\$ 14,695
Pension Costs Capitalized	\$ -	\$ -	\$ 25,489
Misc. Plant Adj.	\$ 14,875	\$ 1,363,605	
Derivations	\$ -	\$ -	\$ -
Sundry Revenue	\$ -	\$ -	\$ -
Total Cost Record	\$ 509,811	\$ 1,380,945	\$973,085
Less: Cost of Removal	\$ -	\$ -	\$ (64,951)
Net Addition to Plant	<u>\$ 509,811</u>	<u>\$ 1,380,945</u>	<u>\$908,134</u>

Work Order N-007005-00173300 \$509,811

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2017
	N-007005
	<u>00173300</u>
Vouchers	\$ 318,094
Construction E&O OH	\$ 146,912
Construction Overhead	\$ 24,981
Interest Capitalized	\$ 4,949
Misc. Plant Adj.	\$ 14,875
Total Cost Record	\$ 509,811
Less: Cost of Removal	\$ -
Net Addition to Plant	<u><u>\$ 509,811</u></u>

The work order was for the purchase and installation of meters in Portsmouth, unitized to plant in service for \$509,811. The meters needed to replace the old rotary meters that are no longer serviceable due to age and obsolete technology. The Construction Authorization Form from October 6, 2017, indicated the work order was authorized to spend \$485,432. The construction authorization was signed/approved by Plant Accounting, the Utility Accounting/Budgeting Manager, the Metering and Field Services Manager, Gas Engineering Manager, Electric Operations VP, Engineering Director, and the CFO/Controller. The construction authorization did not include any removal or retirement costs. The final cost of the work order was \$509,811 or a \$24,379 increase in compliance with the authorization policy.

The work order was unitized to plant in service in December 2017 to the 106 Completed Construction-Not Classified account. The work order was unitized to the 101 plant in service account in May 2018, identified with the following 300 accounts:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
381	Meters	\$195,261
382	Meter Installation	\$288,975
397	ERT-Auto Meter Read	<u>\$25,575</u>
	Total	\$509,811

Audit reviewed the vendor invoices from Dresser Inc., Powell Controls, Utilities & Industries, Itron Inc, Camcode, and Elster America. The 14 invoices Audit reviewed were to purchase meters, test, adjust, repair, install, and paint gas meters. Audit verified the overhead calculations were calculated correctly.

Retirements and Cost of Removal

The Company indicated there were no cost of removal entries and the retirement of the meters were done under work order N-007006.

Work Order N-007078-00170024 \$1,380,945

The My Cost Record pivot table provided by the Company is summarized below:

	2017
	N-007078
	00170024
Interest Capitalized	\$ 17,340
Misc. Plant Adj.	\$ 1,363,605
Total Cost Record	\$ 1,380,945
Less: Cost of Removal	\$ -
Net Addition to Plant	<u><u>\$ 1,380,945</u></u>

The work order was for the for Meter Data Management System (MDMS) in the Customer Information System that was authorized for recovery in the DE 18-036 UES Step Adjustment. The CIS and MDMS were unitized to plant in service through Unitil Service Company for \$36,557,988. The Company indicated the \$1,380,945 was booked to the 101 plant in service account on December 29, 2017. Audit verified the \$1,380,945 was unitized to the 303 intangible software account on the PowerPlan sub-ledger system on the same day. The \$1,380,945 allocated to Northern NH for the MDMS was the amount that was pushed down to each distribution operations center.

The CIS and MDMS systems were summarized in the DE 21-030 UES Final Audit Report issued November 12, 2021:

In July 2017 USC unitized to plant in service the new Customer Information System to replace the legacy HTE Customer Information System which had been in service since 1998. The HTE system was outdated and no longer suited the needs of a modern utility. The HTE vendor, SunGard, indicated to the Company in May 2010 they would stop supporting the software in July 2015, further creating the need for modern CIS software. The CIS software is used for customer billing and revenue recognition, cash remittance, application, payment processing, rate management, tariff, financial reporting to GL, meter validation/editing, credit, collections, customer intake, service work orders, customer account web portal interface, retail choice, future AMI metering/billing, customer service, and customer communications. The new CIS also included a new Meter Management Data System (MDMS), a new “My Unitil” customer portal, and 34 individual sub-system interfaces required to operate the CIS environment. The new CIS system was developed and tested over a period of 6 years in a test environment before being launched into production in July 2017.

Work Order N-007006-00173301 \$908,134

The My Cost Record pivot table provided by the Company is summarized below:

	2017
	N-007006
	<u>00173301</u>
Payroll	\$ 161,838
MDS Payroll	\$ 425
Payroll-OT	\$ 44,040
M&S Issue	\$ 123,510
Vouchers	\$ 92,108
M&S Stores Expense	\$ 45,618
Exempt Stock Expense	\$ 13,302
Exempt Stock Stores Exp.	\$ 5,761
Worker's Comp. Ins.	\$ 6,170
Medical Costs Capitalized	\$ 66,882
401k Costs Capitalized	\$ 9,099
PBOP Costs Capitalized	\$ 40,118
Construction E&O OH	\$ 268,455
Construction Overhead	\$ 40,580
Small Tools	\$ 7,858
Interest Capitalized	\$ 7,139
Payroll Taxes Capitalized	\$ 14,695
Pension Costs Capitalized	\$ 25,489
Misc. Plant Adj.	
Derivations	\$ -
Sundry Revenue	\$ -
Total Cost Record	<u>\$ 973,085</u>
Less: Cost of Removal	<u>\$ (64,951)</u>
Net Addition to Plant	<u>\$908,134</u>

The work order was unitized to plant in service for the installation of meters in Portsmouth for \$908,134 per the My Cost Record. The existing meters were replaced because of Company driven cast iron bare steel replacements. The Construction Authorization Form most recently signed on June 20, 2017, indicated the work order was authorized to spend \$888,654. The construction authorization included 10% cost or removal charges or \$88,865. With the cost of removal charges included this brought the estimated cost to \$799,788. The construction authorization was signed/approved by Plant Accounting, the Utility Accounting/Budgeting Manager, the Metering and Field Services Manager, Gas Engineering Manager, Electric Operations VP, Engineering Director, and the CFO/Controller. The work order was unitized to plant in service for \$908,134 within the 15% authorization approval policy of the Company was allowed to spend.

The work order was unitized to plant in service in December 2017 to the 106 Completed Construction-Not Classified account. The work order was unitized to the 101 plant in service account in May 2018 along with the following 300 account:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
382	Meter Installation	\$908,134

Monthly payroll for straight time, mobile dispatch, and overtime were posted to PowerPlan, based on the daily time records included within the continuing property record documentation. Material Issue Tickets describing the item used, quantity, date, recipient, and approval were noted, as were M&S Stock Adjustment tickets which described the reason for an adjustment to a Material Issue Ticket; 120 vouchers from Home Depot, FW Webb, NEUCO, Independent Pipe, Standard Plumbing, Powell Controls, Sunbelt Rentals, and the Company Bank of America purchase card were reviewed. The invoices were for parts used and tools rented.

Cost of Removal

Audit reviewed the (\$64,951) meters' costs of removal that were booked as part of a large batch May 2018 cost of removal journal entry. The batch cost of removal entry is summarized below:

<u>Account #</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas Plant in Service	\$6,194,836	
30-40-00-00-106-00-00	GS CMPL NT CLSS-NH		\$6,112,316
30-40-00-00-107-00-00	Gas CWIP-NH		\$82,520
30-40-00-00-107-01-03	RWIP Gas COR		\$483,240
30-40-00-00-108-01-00	Accum Gen Depr Plant-NH	\$483,240	
Total		\$6,678,076	\$6,678,076

Retirements

The Company retired (\$254,287) worth of meters in May 2018 that were part of a larger batch entry. The journal entry is summarized below:

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS		\$534,622
30-40-00-00-108-01-00	Accum Dep. Gen Pl.	\$534,622	

2018

There were \$19,596,158 in capital additions during 2018 per the Annual Report. The DG 17-070 Second Step Adjustment Final Audit Report indicates there were \$9,344,372 in calendar year 2018 additions reviewed. This means \$10,251,786 in 2018 additions were not part of the

second step adjustment. Audit reviewed \$924,092 in 2018 capital additions or 9% of the remaining plant additions that were not part of the second step adjustment.

N-007034-00170011	\$116,310
N-007054-00173472	\$367,569
N-007073-00170022	\$97,332
N-008005-00183300	<u>\$342,881</u>
2018 Total	<u>\$924,092</u>

Each work order was verified to the My Cost Record pivot tables/PDF files which identifies the costs by the following categories:

	2018	2018	2018	2018
	N-007034	N-007054	N-007073	N-008005
	<u>00170011</u>	<u>00173472</u>	<u>00170022</u>	<u>00183300</u>
Payroll	\$ -	\$ 3,631	\$ -	\$ -
MDS Payroll	\$ -	\$ -	\$ -	\$ -
Payroll-OT	\$ -	\$ 1,058	\$ -	\$ -
M&S Issue	\$ -	\$ 39,863	\$ -	\$ -
Vouchers	\$ 334,209	\$ 89,190	\$ 97,332	\$ 227,782
M&S Stores Expense	\$ -	\$ 21,987	\$ -	\$ -
Exempt Stock Expense	\$ -	\$ 8,096	\$ -	\$ -
Exempt Stock Stores Exp.	\$ -	\$ 4,771	\$ -	\$ -
Worker's Comp. Ins.	\$ -	\$ 125	\$ -	\$ -
Medical Costs Capitalized	\$ -	\$ 1,338	\$ -	\$ -
401k Costs Capitalized	\$ -	\$ 244	\$ -	\$ -
PBOP Costs Capitalized	\$ -	\$ 527	\$ -	\$ -
Construction E&O OH	\$ -	\$ 43,523	\$ -	\$ 95,617
Construction Overhead	\$ -	\$ 7,004	\$ -	\$ 15,815
Small Tools	\$ -	\$ 237	\$ -	\$ -
Interest Capitalized	\$ -	\$ 5,298	\$ -	\$ 3,667
Payroll Taxes Capitalized	\$ -	\$ 403	\$ -	\$ -
Pension Costs Capitalized	\$ -	\$ 411	\$ -	\$ -
Misc. Plant Adj.	\$ (217,899)	\$ 177,462	\$ -	\$ -
Transportation	\$ -	\$ 450	\$ -	\$ -
Total Cost Record	\$ 116,310	\$ 405,618	\$ 97,332	\$ 342,881
Less: Cost of Removal	\$ -	\$ (38,049)	\$ -	\$ -
Net Addition to Plant	<u>\$ 116,310</u>	<u>\$ 367,569</u>	<u>\$ 97,332</u>	<u>\$ 342,881</u>
Sept. 2019 AFUDC Reversal				
Net Addition to Plant				

N-007034-00170011 **\$116,310**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2018
	N-007034
	00170011
Vouchers	<u>\$ 334,209</u>
Misc. Plant Adj.	<u>\$ (217,899)</u>
Total Cost Record	<u>\$ 116,310</u>
Less: Cost of Removal	<u>\$ -</u>
Net Addition to Plant	<u><u>\$ 116,310</u></u>

The work order was for LocusView Solutions GPS/GIS tracing software that was unitized to plant in service for \$116,310 in May 2018. The GPS/GIS tracing software project was to allow for more automation when entering construction project information into the computer tablets. The automation was to help reduce the manual entry into the computer tablets related to operations and maintenance. LocusView was selected because they were an industry leader in developing mobile and GIS solutions. This work order stated it reduces errors and saves time for workers in the field, so they do not have to do as much data entry.

The Construction Authorization Form from February 2017 indicates the work order was authorized to spend \$355,000. The authorization did not include any retirements or removals. The authorization was signed/approved by Plant Accounting, Gas Operations Manager, Gas Engineering Manager, VP Information Technology, Director of Engineering, and the Company Controller. The work order was booked to plant in service for \$116,310. This is (\$238,690) lower than the authorization. The Company indicated the difference is due to other LocusView work orders N-019082 and N-0200047.

The work order was unitized to the 101 plant in service account in May 2018 along with the following 300 account:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
303	Intangible Plant	\$116,310

Audit reviewed 5 total invoices. Three of the invoices were for LocusView Solutions summed to \$331,189. The LocusView Solutions invoices were for the hardware, consulting, GPS receivers, data plan, software, travel, and RTK Base Stations. The R&L Carriers invoice was for a Trimble Geo Unit. The invoice summed to \$1,357. The last invoice was Milliken Brothers that was for the installation of the GPS antenna at Unutil for \$1,040. The Company indicated there was (\$217,899) manual adjustment crediting the LocusView Solutions invoices that were moved to another project.

Cost of Removal and Retirements

The Company indicated there were no cost of removal or retirement entries because this was new software.

N-007054-00173472 **\$367,569**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2018
	N-007054
	<u>00173472</u>
Payroll	\$ 3,631
MDS Payroll	\$ -
Payroll-OT	\$ 1,058
M&S Issue	\$ 39,863
Vouchers	\$ 89,190
M&S Stores Expense	\$ 21,987
Exempt Stock Expense	\$ 8,096
Exempt Stock Stores Exp.	\$ 4,771
Worker's Comp. Ins.	\$ 125
Medical Costs Capitalized	\$ 1,338
401k Costs Capitalized	\$ 244
PBOP Costs Capitalized	\$ 527
Construction E&O OH	\$ 43,523
Construction Overhead	\$ 7,004
Small Tools	\$ 237
Interest Capitalized	\$ 5,298
Payroll Taxes Capitalized	\$ 403
Pension Costs Capitalized	\$ 411
Misc. Plant Adj.	\$ 177,462
Derivations	\$ -
Transportation	\$ 450
Total Cost Record	<u>\$ 405,618</u>
Less: Cost of Removal	<u>\$ (38,049)</u>
Net Addition to Plant	<u><u>\$ 367,569</u></u>

The work order was for the upgrade and replacement of five existing pressure limiting valves (PLV) at two locations: 314 Rochester Hill Road in Rochester and 350 Route 108 in Somersworth. The upgrade at 314 Rochester Hill Road replaced three existing PLV that fed twelve services, with a single mini-district regulator station. The authorization form also

indicated the need for 400' of 2" HDPE gas main installed, along with the twelve service tie-overs to the new main. The Somersworth upgrade replaced two existing PLV that fed twelve services with approximately 800' of 3/4" steel gas main and twelve 40' 3/4" steel services and individual PLV at each riser.

The work order was unitized to plant in service in September 2018 for \$367,569 per the My Cost Record. The Construction Authorization Form most recently signed on January 15, 2019, indicated the work order was authorized to spend \$376,637 with a \$67,095 estimated cost of removal to bring the estimated cost of the work order to \$308,842. The construction authorization was signed/approved by Plant Accounting, the Utility Accounting/Budgeting Manager, the Metering and Field Services Manager, Gas Engineering Manager, Electric Operations VP, Engineering Director, and the CFO/Controller. The work order was approved and followed the Company authorization policy.

The work order was unitized to the 101 plant in service account in October 2018 along with the following 300 accounts:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
376.2	Mains-Coated/Wrapped	\$2,027
376.4	Mains-Plastic	\$10,808
380	Services	\$329,114
383	House Regulators	<u>\$13,830</u>
	Total	\$367,569

Monthly payroll for straight time and overtime was posted to PowerPlan, based on the daily time records included within the continuing property record documentation. Material Issue Tickets describing the item used, quantity, date, recipient, and approval were noted, as were M&S Stock Adjustment tickets which described the reason for an adjustment to a Material Issue Ticket; 35 vouchers from NEUCO, Cambridge Valve, JDH Inspection, Powell Controls, and the Company Bank of America purchase card were reviewed that were for parts, field work, and inspections.

Cost of Removal

Audit reviewed a batch June 2019 journal entry that included the (\$38,049) services. The batch journal entry is summarized below:

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS	\$3,962,236	
30-40-00-00-106-00-00	Gas Cmpltd Const not Classified		\$3,767,815
30-40-00-00-107-00-00	NH Gas CWIP		\$194,422
30-40-00-00-107-01-02	RWIP NH Gas Salvage	\$2,025	
30-40-00-00-107-01-03	NH Gas COR		\$294,827
30-40-00-00-108-01-00	Accum Dep Gen Plant-NH	<u>\$292,802</u>	
Total		\$4,257,063	<u>\$4,257,063</u>

Retirements

The Company retired (\$4,048) of service line connections in June 2019. The journal entry was part of a larger batch entry that is summarized below:

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS		\$326,135
30-40-00-00-108-01-00	Accum Dep Gen Pl	\$326,135	

N-007073-00170022 **\$97,332**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2018
	N-007073
	<u>00170022</u>
Vouchers	\$ 97,332
Total Cost Record	\$ 97,332
Less: Cost of Removal	\$ -
Net Addition to Plant	<u><u>\$ 97,332</u></u>

The work order was for physical security upgrades and additions in Portsmouth for \$97,332. The physical security upgrades consisted of gates, gate card readers, intercom system, and security cameras. The Construction Authorization Form from November 2017 indicated the project was authorized to spend \$85,000. The construction authorization was signed/approved by the Director of Engineering, Controller, Plant Accounting, and the Manager of Facilities. The project was unitized to plant in service in December 2018 to the 375 Structures-Other Distribution account for \$97,332. There were no cost of removal or retirements per the construction authorization. The work order was unitized to plant in service for \$97,332 representing a \$12,332 increase over the authorization but an increase within the 15% Company authorization policy.

The work order was unitized to the 101 plant in service account in December 2018 along with the following 300 account summarized below.

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
375	Structures	\$97,332

Audit reviewed 6 total invoices. Three of the invoices were from Integrated Security and Communications of New England that summed to \$52,291. The work detail on the invoices consisted of hardware setup, testing, and installation of the security equipment and cameras. There was one invoice for \$24,915 from Gemini Electric for electrical work to wire the security system. There were two invoices from Granite State Gate Systems that summed to \$20,125 that were for the gate card readers, new gates, and the new intercom system.

Granite State Gate Systems	\$20,125
Gemini Electric	\$24,915
Integrated Security Com NE.	<u>\$52,291</u>
Total	\$97,332

Cost of Removal and Retirements

The Company indicated there were no retirements or cost of removal entries done because the Company added new card access and surveillance cameras.

N-008005-00183300 **\$342,881**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2018
	N-008005
	00183300
	<hr/>
Vouchers	\$ 227,782
Construction E&O OH	\$ 95,617
Construction Overhead	\$ 15,815
Interest Capitalized	\$ 3,667
Total Cost Record	\$ 342,881
Less: Cost of Removal	\$ -
Net Addition to Plant	<u><u>\$ 342,881</u></u>

The work order was unitized to plant in service for the work order was for the purchase and installation of meters in Portsmouth for \$342,881 per the My Cost Record. The meters replaced old obsolete rotary meters. The Construction Authorization Form most recently signed on July 10, 2018, indicated the work order was authorized to spend \$537,577. The authorization did not include any retirements or removals.

The construction authorization was signed/approved by Plant Accounting, the Utility Accounting/Budgeting Manager, the Metering and Field Services Manager, Gas Engineering Manager, Electric Operations VP, Engineering Director, and the CFO/Controller. The work order was unitized to plant in service for \$342,881 or (\$194,696) lower than the authorization allowed. The Company indicated the cost underrun was due to the meters being funded to another work order. The work orders are a routine blanket annual project.

The work order was unitized to the 101 plant in service account in December 2018 along with the following 300 accounts:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
381	Meters	\$194,355
382	Meter Installation	\$131,325
397	ERT Meter Reading Dev.	<u>\$17,201</u>
	Total	\$342,881

Audit reviewed the vendor invoices from Dresser Inc., Powell Controls, Utilities & Industries, Itron Inc, Camcode, Dresser Inc, and Elster America. The 30 invoices Audit reviewed were to purchase meters, test, adjust, repair, install, and paint gas meters. Audit verified the overhead figures applied were calculated correctly.

Cost of Removal and Retirements

The Company indicated there were no cost of removal entries and the meter retirements were included under work order N-008006.

2019

There were \$27,580,411 in capital additions during 2019 per the Annual Report. The 2019 additions also included the \$5,585,630 additions related to the new Customer Information System authorized for recovery in the DE 18-036 UES Step Adjustment that will finish being recovered in 2020. The charges booked in March 2019 are booked to account 30-40-00-00-101-90-00 NH Gas Plant in Service-CIS. Excluding the Customer Information Systems, there were \$21,994,781 other additions during calendar year 2019 to review.

Audit reviewed \$1,164,858 in 2019 capital additions during 2019 or 5.3% of the plant additions.

N-008008-00183303	\$888,425
N-008024-00180006	\$207,213
N-008070-00183448	<u>\$69,221</u>
2019 Total	\$1,164,859

Each work order was verified to the My Cost Record pivot tables/PDF files which identifies the costs by the following categories:

	2019	2019	2019
	N-008008	N-008024	N-008070
	00183303	00180006	00183448
Payroll	\$ 122,499	\$ 86	\$ 3,489
MDS Payroll	\$ 35,592	\$ -	\$ -
Payroll-OT	\$ 40,631	\$ 1,502	\$ 731
M&S Issue	\$ 138,059	\$ -	\$ 19
Vouchers	\$ 109,218	\$ 251,111	\$ 50,791
M&S Stores Expense	\$ 60,938	\$ -	\$ 4
Exempt Stock Expense	\$ 23,123	\$ -	\$ 1
Exempt Stock Stores Exp.	\$ 13,408	\$ -	\$ -
Worker's Comp. Ins.	\$ 4,947	\$ -	\$ 70
Medical Costs Capitalized	\$ 49,183	\$ -	\$ 933
401k Costs Capitalized	\$ 9,418	\$ -	\$ 158
PBOP Costs Capitalized	\$ 17,280	\$ -	\$ 273
Construction E&O OH	\$ 238,086	\$ -	\$ 18,918
Construction Overhead	\$ 45,820	\$ -	\$ 3,970
Small Tools	\$ 8,273	\$ -	\$ 106
Interest Capitalized	\$ 10,088	\$ -	\$ 1,311
Payroll Taxes Capitalized	\$ 15,329	\$ -	\$ 194
Pension Costs Capitalized	\$ 14,381	\$ -	\$ 231
Total Cost Record	\$ 951,006	\$ 252,699	\$ 81,199
Less: Cost of Removal	\$ (62,581)	\$ (45,486)	\$ (11,978)
Net Addition to Plant	<u>\$ 888,425</u>	<u>\$ 207,213</u>	<u>\$ 69,221</u>
Sept. 2019 AFUDC Reversal			\$ 241
Net Addition to Plant			<u>\$ 68,980</u>

N-008008-00183303 **\$888,425**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2019
	N-008008
	00183303
	<hr/>
Payroll	\$ 122,499
MDS Payroll	\$ 35,592
Payroll-OT	\$ 40,631
M&S Issue	\$ 138,059
Vouchers	\$ 109,218
M&S Stores Expense	\$ 60,938
Exempt Stock Expense	\$ 23,123
Exempt Stock Stores Exp.	\$ 13,408
Worker's Comp. Ins.	\$ 4,947
Medical Costs Capitalized	\$ 49,183
401k Costs Capitalized	\$ 9,418
PBOP Costs Capitalized	\$ 17,280
Construction E&O OH	\$ 238,086
Construction Overhead	\$ 45,820
Small Tools	\$ 8,273
Interest Capitalized	\$ 10,088
Payroll Taxes Capitalized	\$ 15,329
Pension Costs Capitalized	\$ 14,381
Misc. Plant Adj.	\$ (234)
Sundry Revenue	\$ (510)
Derivations	\$ -
Issue Reversal	\$ (4,523)
Transportation	\$ -
Total Cost Record	<hr/> \$ 951,006
Less: Cost of Removal	\$ (62,581)
Net Addition to Plant	<hr/> <u>\$ 888,425</u> <hr/>

The work order was unitized to plant in service for the purchase and installation of meters in Portsmouth for \$888,425 per the My Cost Record. The meters were installed because the Company installed more services in 2018 than anticipated. Several new installations required multiple meter fits or large volume fits that require fabrication of welded meter fits.

The Construction Authorization Form most recently signed on December 27, 2018, indicated the work order was authorized to spend \$946,700. The authorization did not include any cost of removal or retirements. The construction authorization was signed/approved by

Plant Accounting, the Utility Accounting/Budgeting Manager, the Metering and Field Services Manager, Gas Engineering Manager, Electric Operations VP, Engineering Director, and the CFO/Controller. The work order unitized to plant in service is \$888,425 or (\$58,275) below the authorized spending amount.

The work order was unitized to the 101 plant in service account in June 2019 along with the following 300 account:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
382	Meter Installation	\$888,425

Monthly payroll for straight time, mobile dispatch, and overtime was posted to PowerPlan, based on the daily time records included within the continuing property record documentation. Material Issue Tickets describing the item used, quantity, date, recipient, and approval were noted, as were M&S Stock Adjustment tickets which described the reason for an adjustment to a Material Issue Ticket; 77 vouchers were reviewed that were for parts, pipes, valves, and tools rented that were needed by employees, from Big Wave, Independent Pipe, Roland Ripley, Airgas, FW Webb, Cambridge Valve, NEUCO, Independent Pipe, Powell Controls, and the Company Bank of America purchase card.

Cost of Removal

Audit reviewed a batch June 2019 journal entry that included the (\$62,581) meters cost of removal. The batch journal entry is summarized below.

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS	\$3,962,236	
30-40-00-00-106-00-00	Gas Cmpltd Const not Classified		\$3,767,815
30-40-00-00-107-00-00	NH Gas CWIP		\$194,422
30-40-00-00-107-01-02	RWIP NH Gas Salvage	\$2,025	
30-40-00-00-107-01-03	NH Gas COR		\$294,827
30-40-00-00-108-01-00	Accum Dep Gen Plant-NH	<u>\$292,802</u>	
Total		\$4,257,063	\$4,257,063

Retirements

The Company retired (\$184,675) in meters in June 2019. The journal entry was part of a larger batch entry that is summarized below:

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS		\$326,135
30-40-00-00-108-01-00	Accum Dep. Gen Pl.	\$326,135	

N-008024-00180006 **\$207,213**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2019
	N-008024
	<u>00180006</u>
Payroll	\$ 86
Payroll-OT	\$ 1,502
Vouchers	\$ 251,111
Total Cost Record	\$ 252,699
Less: Cost of Removal	\$ (45,486)
Net Addition to Plant	<u>\$ 207,213</u>

The work order was for a roof replacement and Building Envelope Improvements at the Portsmouth Distribution Operations Center. The old roof was over 30 years old and had leaks. The Company removed 20,800 square feet of ballast stone from the old roof. The Company indicated the old rubber roof membrane on the roof was left and they added 2 inches of ISO foam board on top of the existing membrane to increase the R-value and then placed a new rubber membrane on top of the foam board. The Company also added a roof safety anchor system.

The Construction Authorization Form dated February 1, 2018, was authorized to spend \$400,000. The authorization included \$72,000 in estimated cost of removal charges. This brought the total estimated cost to \$328,000. The authorization was signed/approved by the Plant Accountant, Facilities and Fleet Manager, Director of Shared Services, Director of Engineering, and the Controller. The work order was unitized to plant in service for \$207,213 or (\$120,787) below the authorized amount.

The work order was unitized to the 101 plant in service account in September 2019 along with the following 300 account:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
375.7	Structures-Other Distribution	\$207,213

Audit reviewed 7 invoices total for the roof replacement. Two of the invoices were for New England Controls that summed to \$23,757. The invoices for New England Controls describe the work as providing a globe valve and solenoid. There were four invoices for Master Roof for the roof installation and removal. The four invoices summed to \$228,942.

Cost of Removal

Audit reviewed a batch September 2019 journal entry that included the (\$45,486) mains and structures cost of removal. The batch journal entry is summarized below:

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS	\$1,513,282	
30-40-00-00-106-00-00	Gas Cmpltd Const not Classified		\$1,348,064
30-40-00-00-107-00-00	NH Gas CWIP		\$165,218
30-40-00-00-107-01-03	NH Gas RWIP COR		\$297,858
30-40-00-00-108-01-00	Accum. Dep. Gen Plant-NH	<u>\$297,858</u>	
Total		\$1,811,140	\$1,811,140

Retirements

The Company retired (\$126,350) in 375.7 structures assets in September 2019. The retirements are part of a larger September 2019 batch entry summarized below:

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS		\$135,779
30-40-00-00-108-01-00	Accum Dep Gen Pl	\$135,779	

N-008070-00183448 **\$69,221**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2019
	N-008070
	<u>00183448</u>
Payroll	\$ 3,489
MDS Payroll	\$ -
Payroll-OT	\$ 731
M&S Issue	\$ 19
Vouchers	\$ 50,791
M&S Stores Expense	\$ 4
Exempt Stock Expense	\$ 1
Exempt Stock Stores Exp.	\$ -
Worker's Comp. Ins.	\$ 70
Medical Costs Capitalized	\$ 933
401k Costs Captialized	\$ 158
PBOP Costs Capitalized	\$ 273
Construction E&O OH	\$ 18,918
Construction Overhead	\$ 3,970
Small Tools	\$ 106
Interest Capitalized	\$ 1,311
Payroll Taxes Capitalized	\$ 194
Pension Costs Capitalized	\$ 231
Total Cost Record	\$ 81,199
Less: Cost of Removal	<u>\$ (11,978)</u>
Net Addition to Plant	<u>\$ 69,221</u>
Sept. 2019 AFUDC Reversal	\$ 241
Net Addition to Plant	<u>\$ 68,980</u>

The work order was for the installation of a SCADA remote terminal unit (RTU) and an odorizer in the Salem Gate Station for \$69,221. Per the Construction Authorization Form from January 11, 2019, the work order was authorized to spend \$75,030 with (\$11,250) in estimated cost of removal charges. This brings the estimated cost of the work order per the construction authorization to \$63,780. The construction authorization was signed/approved by the Plant Accountant, Accounting and Budgeting Manager, Gas Engineering Manager, Assistant Controller, VP Gas Operations, VP of Engineering, Controller, and CFO. The work order was unitized to plant in service for \$69,221 or \$5,441 above the authorized amount within 15% of the Company authorization policy.

The work order was unitized to the 101 plant in service account in September 2019 along with the following 300 accounts:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
378.2	Measuring and Regulating Structures	\$44,946
397	Communication Equipment	<u>\$24,275</u>
	Total	\$69,221

The Company indicated there was a September 2019 (\$241) AFUDC reversal when the project was closed. The Company indicated a new My Cost Record was not printed and filed for the work order.

Monthly payroll for straight time and overtime was posted to PowerPlan, based on the daily time records included within the continuing property record documentation. Material Issue Tickets describing the item used, quantity, date, recipient, and approval were noted, as were M&S Stock Adjustment tickets which described the reason for an adjustment to a Material Issue Ticket. 18 vouchers were reviewed that were for parts, labor, pipes, materials, installation, valves, repairs, and an odorizer rented. The vouchers included Pipeline Solutions, LLC, and the Company Bank of America purchase card.

Cost of Removal

Audit reviewed a batch September 2019 journal entry that included the (\$11,978) communication equipment and measuring equipment cost of removal. The batch journal entry is summarized below.

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	NH Gas PIS	\$1,513,282	
30-40-00-00-106-00-00	Gas Cmpltd Const not Classified		\$1,348,064
30-40-00-00-107-00-00	NH Gas CWIP		\$165,218
30-40-00-00-107-01-03	NH Gas RWIP COR		\$297,858
30-40-00-00-108-01-00	Accum. Dep. Gen Plant-NH	<u>\$297,858</u>	
Total		\$1,811,140	\$1,811,140

Retirements

The Company indicated there were no retirements because the original odorizer is being kept as a spare and is still capitalized to plant in service. It should be considered an inventory item, as a spare is not "in service". **Audit Issue #1**

2020

There were \$21,785,965 in capital additions during the test year. Audit reviewed \$6,726,406 or 31%.

N-008043-00183448	\$3,809,004
N-019047-00193425	<u>\$2,917,402</u>
2020 Total	\$6,726,406

Each work order was verified to the My Cost Record pivot tables/PDF files which identifies the costs by the following categories:

	2020	2020
	N-008043	N-019047
	00183448	00193425
Payroll	\$ 4,113	\$ 889
MDS Payroll	\$ -	\$ -
Payroll-OT	\$ 251	\$ -
M&S Issue	\$ 13,365	\$ 6,090
Vouchers	\$ 2,663,678	\$ 1,990,385
M&S Stores Expense	\$ 5,188	\$ 2,510
Exempt Stock Expense	\$ 3,307	\$ 704
Exempt Stock Stores Exp.	\$ 1,854	\$ 1,311
Worker's Comp. Ins.	\$ 95	\$ 22
Medical Costs Capitalized	\$ 1,397	\$ -
401k Costs Capitalized	\$ 226	\$ 53
PBOP Costs Capitalized	\$ 377	\$ 93
Construction E&O OH	\$ 871,559	\$ 809,600
Construction Overhead	\$ 222,361	\$ 237,008
Small Tools	\$ 210	\$ 44
Interest Capitalized	\$ 101,077	\$ 69,419
Payroll Taxes Capitalized	\$ 441	\$ 72
Pension Costs Capitalized	\$ 481	\$ 117
Misc. Plant Adj.	\$ (78,100)	\$ (196,961)
Sundry Revenue	\$ -	\$ -
Derivations	\$ -	\$ -
Issue Reversal	\$ (3,916)	\$ (3,954)
Transportation	\$ 1,040	\$ -
Total Cost Record	\$ 3,809,004	\$ 2,917,402
Less: Cost of Removal	\$ -	\$ -
Net Addition to Plant	<u>\$ 3,809,004</u>	<u>\$ 2,917,402</u>

N-008043-00183448 **\$3,809,004**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2020
	N-008043
	00183448
Payroll	\$ 4,113
MDS Payroll	\$ -
Payroll-OT	\$ 251
M&S Issue	\$ 13,365
Vouchers	\$ 2,663,678
M&S Stores Expense	\$ 5,188
Exempt Stock Expense	\$ 3,307
Exempt Stock Stores Exp.	\$ 1,854
Worker's Comp. Ins.	\$ 95
Medical Costs Capitalized	\$ 1,397
401k Costs Capitalized	\$ 226
PBOP Costs Capitalized	\$ 377
Construction E&O OH	\$ 871,559
Construction Overhead	\$ 222,361
Small Tools	\$ 210
Interest Capitalized	\$ 101,077
Payroll Taxes Capitalized	\$ 441
Pension Costs Capitalized	\$ 481
Misc. Plant Adj.	\$ (78,100)
Sundry Revenue	\$ -
Derivations	\$ -
Issue Reversal	\$ (3,916)
Transportation	\$ 1,040
Total Cost Record	<u>\$ 3,809,004</u>
Less: Cost of Removal	\$ -
Net Addition to Plant	<u>\$ 3,809,004</u>

The work order was for the Dover Right of Way Highline main replacement that was booked to plant in service for \$3,809,004. The Construction Authorization Form from September 4, 2019, indicated the budgeted amount for the work order is \$2,632,961. The authorization indicates the work order was authorized to spend \$3,451,446. The construction authorization was signed/approved by the Plant Accountant, Accounting and Budgeting Manager, Gas Engineering Manager, Assistant Controller, VP Gas Operations, VP of Engineering, Controller, and CFO. The work order by the time the project was unitized to plant

in service was \$3,809,004. This is \$357,558 increase over the spending authorization amount, but within the 15% Company authorization policy.

The work order was unitized to the 101 plant in service account in December 2020 along with the following 300 accounts:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
376.2	Mains-Coated Wrapped	\$3,807,941
376.4	Mains-Plastic	\$1,063
	Total	\$3,809,004

Monthly payroll for straight time and overtime was posted to PowerPlan, based on the daily time records included within the continuing property record documentation. Material Issue Tickets describing the item used, quantity, date, recipient, and approval were noted, as were M&S Stock Adjustment tickets which described the reason for an adjustment to a Material Issue Ticket. 170 vouchers were reviewed that were for parts, pipes, field work, excavation, engineering, piping, trenching, inspection, mains, and tools rented that were needed for the project. The project vendors included NEUCO, Consolidated Pipe, Collins Pipe, IC Reed and Sons, Quality Hardware, FW Webb, Mulcare Engineering, Ark Engineering, Haley and Aldrich, Process Pipe, City of Dover, Liberty Sales, Cambridge Valve, Johnson Plumbing, Reliable Equipment, JDH Inspection Services, and the Company Bank of America purchase card.

Cost of Removal and Retirements

The Company indicated there were no retirements or cost of removal entries because phase 1 did not include any replacement of assets as the mains are running parallel. Audit verified that the 3-phase project is to accommodate distribution system growth and provide pressure support to the Bartlett Street regulator station in Somersworth. The existing 6” coated steel pipeline remains as a redundant feed to the regulator station or can be converted to the Varney Brook regulator station to operate at a local distribution system pressure of 60 psi. Audit also verified that the new 12” pipeline was pressure tested and is online.

N-019047-00193425 **\$2,917,402**

The My Cost Record pivot table/PDF files provided by the Company is summarized below:

	2020
	N-019047
	<u>00193425</u>
Payroll	\$ 889
MDS Payroll	\$ -
Payroll-OT	\$ -
M&S Issue	\$ 6,090
Vouchers	\$1,990,385
M&S Stores Expense	\$ 2,510
Exempt Stock Expense	\$ 704
Exempt Stock Stores Exp.	\$ 1,311
Worker's Comp. Ins.	\$ 22
Medical Costs Capitalized	\$ -
401k Costs Capitalized	\$ 53
PBOP Costs Capitalized	\$ 93
Construction E&O OH	\$ 809,600
Construction Overhead	\$ 237,008
Small Tools	\$ 44
Interest Capitalized	\$ 69,419
Payroll Taxes Capitalized	\$ 72
Pension Costs Capitalized	\$ 117
Misc. Plant Adj.	\$ (196,961)
Sundry Revenue	\$ -
Derivations	\$ -
Issue Reversal	\$ (3,954)
Transportation	\$ -
Total Cost Record	<u>\$2,917,402</u>
Less: Cost of Removal	\$ -
Net Addition to Plant	<u><u>\$2,917,402</u></u>

The work order was for the Epping Main Expansion Project that was booked to plant in service for \$2,917,402. The Construction Authorization from November 4, 2020, indicated the budgeted amount for the work order is \$5,704,057. The authorization indicates the work order was estimated to cost \$2,908,956. The authorization was for the installation of 22,380 feet of 8-inch pipe on Pine Rd and Route 27 in Epping. The construction authorization was signed/approved by the Plant Accountant, Accounting and Budgeting Manager, Gas Engineering Manager, VP Gas Operations, VP of Engineering, Controller, and CFO. The work order was unitized to plant in service for \$2,917,402.

The work order was unitized to the 101 plant in service account in December 2020 along with the following 300 account:

<u>Account #</u>	<u>Account Name</u>	<u>Amount</u>
376.4	Mains-Plastic	\$2,917,402

Monthly payroll for straight time was posted to PowerPlan, based on the daily time records included within the continuing property record documentation. Material Issue Tickets describing the item used, quantity, date, recipient, and approval were noted, as were M&S Stock Adjustment tickets which described the reason for an adjustment to a Material Issue Ticket. 108 vouchers were reviewed that were for parts, pipes, field work, excavation, engineering, piping, trenching, inspection, mains, and tools rented that were needed for the project. The vendors included NEUCO, Piping Special, Process Pipe, Collins Pipe, McGriff Seibel, MRC Global, CP Test Services, Mulcare Engineering, PPI Gas Distribution, and the Company Bank of America purchase card.

Cost of Removal and Retirements

The Company indicated there were not any cost of removal or retirement entries done because Epping is a new franchise territory.

Construction Work in Process (CWIP)

Construction Work in Progress (CWIP) totaled \$6,411,145 for Northern NH per the 2020 Annual Report which matched the general ledger for 2020 and the filing, line 3, schedule 2. The following four NH accounts had activity during 2020.

30-40-00-00-107-00-00 Const Work in Progress-NH	\$ 5,349,614
30-40-00-00-107-01-02 RWIP Gas Salvage	\$ 0
30-40-00-00-107-01-03 RWIP Gas Cost of Removal	\$ 685,118
30-40-00-00-107-90-00 Const Work in Progress GA	<u>\$ 479,316</u>
Total NH CWIP	\$ 6,411,145
30-50-00-00-107-00-00 Const Work in Progress-ME	\$ 5,611,376
30-50-00-00-107-01-03 RWIP Gas Cost of Removal	\$ 925,015
30-50-00-00-107-90-00 Const Work in Progress GA	<u>\$ 354,413</u>
Total ME CWIP	<u>\$ 6,890,804</u>
Total Combined CWIP	\$13,301,948

Audit reviewed the 30-40-00-00-107-00-00 CWIP NH account activity that consists of payments to various vendors of construction for a variety of capital projects. Audit noted a variety of entries such as Construction E&O Overhead, Derivations, Payroll, MDS Payroll Allocations, Payroll OT, Workers' Compensation Insurance, Small Tools, Medical Costs, 401k,

Pension, PBOP, Payroll Taxes, Materials and Supplies, specific vouchers, capitalized interest (offset to AFUDC account), etc.

The 30-40-00-00-107-01-02 RWIP Electric Salvage account represents the salvage value associated with projects currently under construction. The account had a beginning balance of (\$11,358) and a net \$11,358 in debit activity during 2020 that finished the test year with a zero balance. The journal entry detail consists of salvage value plant entries.

The 30-40-00-00-107-01-03 RWIP Cost of Removal account represents the cost of removal associated with projects currently under construction. The account had a beginning balance of \$1,429,548 and a net (\$744,430) credit activity during the test year, ending with a balance of \$685,118. The account charges consisted of 401k capitalized costs, PBOP cost capitalizations, workers compensation insurance capitalized costs, payroll taxes capitalized, construction overhead capitalized costs, capitalized pension costs, and medical costs that were capitalized.

The 30-40-00-00-107-90-00 CWIP-GA account consists of reversing entries related to the plant in service accounts. The reversing entries related to vendors for construction costs, health insurance accruals, payroll adjustments, and reclassifications. The account had a beginning balance of \$430,054 and a net credit activity of (\$53,641) during the test year. The account had a test year ending balance of \$376,413.

Contributions in Aid of Construction (CIAC)

Northern Utilities has two types of contributions, Refundable and Non-refundable. The total Non-refundable contributions for 2020 were \$343,072, posted to account 30-40-00-00-107-00-00 Gas Construction in Progress-NH. Documentation provided from Northern noted the cash received for miscellaneous assets such as service cutbacks or relocation of gas services, services, and mains per month. Verification to the tariff of the contributed amounts was not conducted as part of this review.

Northern NH and ME did not have refundable contributions on the general ledger during the 2020 test year. Page 17 of the Tariff indicates the requirements for refundable contributions that are to be paid within 5 years of construction and completion.

There is no amortization of CIAC due to the fact that Northern applies contributions to the work order as it is received.

Retirements

The total retirements for the year 2020 were \$2,690,422, verified to the 2020 CPR records and Annual Report. Audit tested the retirement entries through sample work orders reviewed in the plant *Additions* section. The retired plant entries were credited to the Plant in Service and debited to Accumulated Depreciation for the original book cost.

Audit reviewed the retirement details provided in the December 31, 2020 CPR files. Northern NH was able to reproduce the retirement details since the DG 17-070 rate case on the

2020 Annual Report and filing schedules accurately. The CPRs and retirement details also included the actual installation cost to Northern NH as well as the original in service date for each item being removed from the Plant in Service totals.

Audit sampled random journal entries chosen from the CPR records to test for accuracy. Audit sampled journal entries from December 2020 for the retirement of meters. The Company indicated the meter retirements are all up to date. The Company indicated meters are retired early sometimes due to holes, loose drive arms, failed inspections, or is noisy. The retirement entries reflect part of a larger journal entry that are done as batches. The December 2020 journal entry Audit sampled was for \$1,532,745. On the December 2020 entry the Company debited the Accumulated Depreciation account # 30-40-00-00-108-01-00 for \$1,532,745 and credited the Plant in Service account # 30-40-00-00-101-00-00 for (\$1,532,745). The 300 account level details are calculated in PowerPlan and were included in the journal entries.

Cost of Removal

Audit sampled three cost of removal journal entries from the 2020 CPR records for the 376 Mains account, that summed to \$65,841. The March 2020 mains entry was part of a batch entry done to book the cost of removal charges for the month. Two mains were removed in Portsmouth for \$42,089 and one in Dover for \$23,752. The March 2020 batch cost of removal NPA842-808746 journal entry is summarized below. Accounting for the cost of removal was tested in individual work orders that were reviewed as part of the Plant Additions.

<u>Account #</u>	<u>Name</u>	<u>Debit</u>	<u>Credit</u>
30-40-00-00-101-00-00	Plant in Service	\$4,787,296.56	
30-40-00-00-108-01-00	Accumulated Dep.	\$129,557.92	
30-40-00-00-106-00-00	Comp. Cons. Not Class		\$(3,497,521.23)
30-40-00-00-107-00-00	Cons. Work in Prog.		\$(1,289,775.33)
30-40-00-00-107-01-03	RWIP Cost of Removal		\$(129,557.92)
		\$4,916,854.48	\$(4,916,854.48)

AFUDC

The credit balance in general ledger account 30-40-10-00-432-00-00 AFUDC-Borrowed Funds was (\$270,500). According to the 2020 Annual Report, the average interest rate applied during the test-year was 4.32% or 0.36% per month. Northern indicated the same 4.32% in response to a separate Audit request. In discussing the method used to calculate the AFUDC, Northern submitted an Excel spreadsheet detailing the calculation. Specifically, Northern tracks the AFUDC at the project level and uses an average balance of the costs incurred, multiplied by a specific rate, to arrive at any month's given charge.

Audit reviewed the calculation for September 2020 for the relocation of 3,850 feet of main for a new service line. This was \$172,777 installation cost based on a 4.32% interest rate ($\$172,777 * 4.32\% / 12 \times 0.5$) = \$311 of AFUDC interest earned.

Software

Northern NH had \$879,609 in plant additions during the test year booked to the 303 Miscellaneous Intangible plant account. The additions were for a new voice system replacement, customer/interface enhancements, GIS enhancements, Salesforce Gas Sales reporting, blanket projects, MARS/GEMS enhancements, IT system/infrastructure, and general software.

Non-utility Property

There were no charges for non-utility property related to Northern NH. The 2020 Annual Report and filing schedule 2 indicates there was \$86,855 in non-utility property related to Northern-Maine. The non-utility property was booked to the 30-50-00-00-121-00-00 and 30-50-00-00-122-00-00 Maine GL accounts.

Transportation Equipment/Vehicles

The Northern NH 392, Transportation Equipment did not have an account balance or any activity from 2017-2020. The Company indicated that work vehicles and trailers are operating leases. See the Operating Leases section for further review.

Accumulated Depreciation

Accumulated Depreciation and Amortization (108-111, 114 115) per Annual Report

30-40-00-00-108-01-00 Accumulated Depreciation Gen Plant Ret	(\$83,125,801)
30-40-00-00-108-04-00 Accumulated Depreciation COR	\$15,836,286
30-40-00-00-254-04-00 Regulatory Liability-COR-NH	(\$15,836,286)
30-40-00-00-111-05-00 Accumulated Amort Computer SW	(\$4,313,385)
30-40-00-00-111-07-00 Accumulated Amort CIS	<u>(\$584,076)</u>
Total per RevReq. 4-4	(\$88,023,263)
30-50-00-00-108-01-00 Accumulated Depreciation Gen-ME	(\$82,080,141)
30-50-00-00-111-05-00 Accumulated Amort Com SW-ME	(\$4,634,050)
30-50-00-00-111-07-00 Accumulated Amort-CIS-ME	<u>(\$677,472)</u>
Total 108 and 111 accounts ME	<u>(\$87,391,662)</u>
Total 108 and 111 accounts per 2020 Annual Report NH and ME	(\$175,414,925)

Audit tied the filing figure of \$(88,023,263) on Schedule RevReq 4-4 to five general ledger accounts. The bottom three accounts reflect Maine balances. The Annual Report reflects the combined NH and ME divisions, (\$175,414,925).

The 30-40-00-00-108-01-00 Accumulated Depreciation Gen Plant Ret. had a test year beginning balance of (\$78,067,914) and net activity during the year of (\$5,057,887) to end the

year with a (\$83,125,801) 2020 ending balance. The account activity consisted of retirement entries and plant closing entries.

Cost of Removal, account 30-40-00-00-108-04-00 \$15,836,286 was noted to be included within the Other Regulatory Liabilities 254 account on the 2020 Annual Report. The account had a beginning balance of \$14,601,620 and net activity during the test year of \$1,234,667. There were four entries that were related to miscellaneous adjustments reclassifying the COR. The two cost of removal accounts netted to zero during the test year.

As part of the prior rate case audit (year-end 2016), the Company explained that *“In conjunction with the review of Unifil Corporation’s 2011 Annual Report on Form 10-K by the U.S. Securities and Exchange Commission, the Company determined that accumulated depreciation related to future Cost of Removal should be classified as a Regulatory Liability on the Company’s Balance Sheet, instead of being included as a component of Accumulated Depreciation. As a result, the Company posted the \$11,378,749.10 entry in December 2012, debiting account #30-40-00-00-108-04-00, Accumulated Depreciation - COR, and crediting account #30-40-00-00-254-04-00, Regulatory Liability – Future Cost of Removal - NH, classifying the accumulated depreciation related to future Cost of Removal as a Regulatory Liability. This change was made for external financial reporting purposes. It does not affect regulatory ratemaking, as Accumulated Depreciation related to future Cost of Removal is still included as a component of Accumulated Depreciation for ratemaking purposes.”* Refer to the Other Regulatory Liabilities portion of this report for additional information.

The 30-40-00-00-111-05-00 Accumulated Amortization Computer Software had a beginning balance of (\$3,791,379) and net activity during the test year of (\$522,006) to end the year with a (\$4,313,385) balance. The account activity consisted of depreciation and amortization charges related to computer software.

The 30-40-00-00-111-07-00 Accumulated Amortization CIS had a beginning balance of (\$289,105) with net account activity of (\$294,971) to end the 2020 test year with a (\$584,076) balance. The account activity consisted of 12 recurring monthly entries of \$25,581. The (\$584,076) 2020 test year ending balance is the final amount of the Northern NH portion of the CIS system which went into service in 2017. A smaller portion of the system (MDMS) Meter Device Management System is being amortized over 10 years, with the majority of the system being amortized over 20 years. The MDMS amortization will be complete in December 2027.

As identified above, the Accumulated Depreciation Cost of Removal is not part of the RevReq 4-4 Accumulated Depreciation figure. Audit verified the inclusion of both the 108 and 254 cost of removal accounts to the books of NU-NH. The Company created the 108-04 accounts for both NH and ME to clearly reflect the reclassification out of 108-01 into the 254 Regulatory Liabilities.

The cost of removal noted within the filing Schedule 2-Assets and Deferred Charges, page 7 of 12, Bates page 000126 does accurately reflect the general ledger balances of \$15,836,286 for NH and \$13,966,004 for Maine.

The 30-40-00-00-114-00-00 Gross Plant Acquisition Adjustments-NH and 30-40-00-00-115-00-00 accounts mirror one another. The 114 account began the year with a (\$9,408,175)

credit balance and during the year there was a March 2020 debit entry that was identified as a miscellaneous reclassification.

The 115 account began the test year with a \$9,408,175 debit balance and there was a March 2020 credit entry that was a miscellaneous reclassification. Both accounts end the 2020 test year with a zero balance. This account represents the Plant Acquisition Adjustment, which is the NH portion of the discount that Unitil received on the acquisition of Northern Utilities from NiSource in December 2008. This was amortized over 10 years, so the amortization ended in December 2018. In March 2020 the Company removed the asset, and the corresponding accumulated amortization from the general ledger.

Amortization

Test year distribution amortization expense per the filing schedule RevReq-2 and, 2020 Annual Report NH portion was \$816,977 for the test-year. This amount was verified to the following general ledger accounts:

30-40-10-00-404-03-00 Amortization of Computer Software	\$522,006
30-40-10-00-404-04-00 Amortization of Intangible Software	<u>\$294,971</u>
Total Amortization Expense	\$816,977

The 30-40-10-00-404-03-00 Amortization of Computer Software account had \$522,006 net debit in total activity during the year. There were monthly debits and credits recording depreciation/amortization of various software systems with different debit and credit amounts in the \$35,000-38,000 range. The largest item is the HTE Amortization. The 12 monthly recurring credit amortization entries were \$5,784 and were offset with monthly debit entries to account 30-40-00-00-111-05-00. The -404-03 account had a \$522,006 test year ending balance. Audit verified that the RevReq-2 page 2 of 2 reflected \$698,046 as the test year proforma amortization expense, calculated as follow:

Actual Amortization test year distribution	\$ 816,977
Proforma adjustments	<u>\$(118,930)</u>
Performed test year figure	\$ 698,046

Audit also verified the total expense to the detailed report of PowerPlan fixed assets. Miscellaneous software is amortized over 5 years, with the asset reflected in the PowerPlan sub-ledger account 303-30. Other Software reflected in account 303-02 is being amortized over a ten year period.

The 30-40-10-00-404-04-00 Amortization of Intangible Software account relates to a Customer Information System that was unitized in July 2017 that replaced a legacy system from the late 1990s. This was approved for recovery in the UES DE 18-036 Step Adjustment. The account had a net debit \$294,971 of activity during the year. The account had monthly recurring debit entries of \$24,582. The offsetting entries were booked to the 30-40-00-00-111-07-00 Accumulated Amortization-NH-CIS account. The -404-04 account had a test year ending balance of \$294,971.

The 30-49-01-07-407-01-00 Amortization of Rate Case Expenses was not included on the filing schedules or the detailed general ledger. The 2020 Annual Report breakout of NH and Maine indicates there was a \$0.01 balance in the account.

Depreciation Expense

Depreciation Expense for the test year totaled \$8,876,582 on the 2020 Annual Report which agrees with the filing schedule RevReq-2, column 2, line 13 and to account 30-40-10-00-403-00-00 without exception. Audit notes in the Company’s depreciation tables, land and land rights are correctly excluded from the depreciation expense calculation. The journal entry activity in the account consisted of monthly depreciation entries.

30-40-10-00-403-00-00 \$8,876,582

Audit reviewed a \$1,101,427 March 2020 batch journal entry for the Deprecation Expense. The 300-account detail is calculated in PowerPlan and the Company provided a printout. The Company debited and credited the following accounts seen below:

<u>Account # and Name</u>	<u>Debits</u>	<u>Credits</u>
30-40-00-00-108-01-00 Accum Dep Gnl Plant NH		\$735,469
30-40-00-00-111-05-00 Accum Amortization NH		\$36,753
30-40-10-00-403-00-00 Dep Expense NH	\$735,469	
30-40-10-00-404-03-00 Amort of Other Exp NH	\$36,753	
30-50-00-00-108-01-00 Accum Dep Gen Pl ME		\$869,496
30-50-00-00-111-05-00 Accum Amort Computer Software ME		\$43,859
30-50-00-00-122-00-00 Non-utility Reserve ME		\$26,714
30-50-10-00-403-00-00 Dep Expense ME	\$869,496	
30-50-10-00-404-00-00 Amort of CSW-ME	\$43,859	
30-50-10-00-417-14-00 Non-utility Dep Exp ME	<u>\$26,714</u>	
Total	\$1,712,291	<u>\$1,712,291</u>

Depreciation Rates

Audit reviewed the depreciation rates and average service life (ASL), as submitted in the testimony of Ned Allis, Exhibit NWA-1, and the rates found in the Settlement Agreement of DG 17-070 (prior rate case) Exhibit 8. The Commission has always used the whole life group depreciation method. In the Allis testimony, the Company proposes to use the remaining life method, which will be decided by the Commission, at the conclusion of this rate case. Audit reviewed the filing schedule RevReq 3-16 page 1 that shows the current approved rate that is correct, and page 2 that shows the proposed rate in the depreciation study, not yet approved by the Commission. The DG 17-070 ASL rates have been rounded from the actual submitted rates on the table below. Audit was able to verify compliance by testing the depreciation expense to the current approved rates on RevReq-3-16 page 1.

Plant Category	Acct #	Account Description	ASL	17-070 Rate
Distribution	375.2	Structures-City Gate	70	1.43%
Distribution	375.7	Structures-Other	70	1.43%
Distribution	376.2	Coated/Wrapped Mains	47	2.66%
Distribution	376.4	Plastic Mains	47	2.87%
Distribution	376.6	Cathodic Protection Mains	30	4.17%
Distribution	378.2	M and R Station Equipment	30	3.50%
Distribution	379	M and R Station Equipment-City Gate	30	2.87%
Distribution	380	Services	45	3.67%
Distribution	381	Meters	30	3.33%
Distribution	382	Meter Installations	33	3.33%
Distribution	383	House Regulator	30	3.33%
Distribution	386	Water Heaters/Conversion Boilers	13.5	7.41%
General	391	Office Equipment and Furniture	11.5	8.70%
General	394	Tools, Shop, and Garage Equipment	19	5.26%
General	396	Power Operated Equipment	15	6.00%
General	397	Communications Equipment	11	9.09%
General	397	Communications Equipment-ERTS	15	6.67%

Current Assets

The Filing Requirement Schedules page 7 of 12 reflects current assets for Northern as follows:

	<u>NU-NH</u>	<u>NU-ME</u>	<u>Common</u>	<u>Total 12/31/2020</u>
Cash	\$ 1,500	\$ 250	\$ 370,260	\$ 372,010
Accounts Receivable-Gas	\$ 9,102,182	\$ 14,492,785	\$ -	\$ 23,594,967
Accounts Receivable-Other	\$ 181,592	\$ 14,495	\$ 3,377	\$ 199,464
Uncollectible Accounts	\$ (294,933)	\$ (863,075)	\$ -	\$ (1,158,008)
Notes Receivables	\$ -	\$ -	\$ 8,913,185	\$ 8,913,185
Materials and Supplies	\$ 2,416,575	\$ 2,048,165	\$ -	\$ 4,464,740
Stores Expense Undistributed	\$ 356,883	\$ 351,217	\$ -	\$ 708,100
Inventory	\$ 267,731	\$ 40,348	\$ -	\$ 308,079
Prepayments	\$ 963,040	\$ 1,128,283	\$ 70,044	\$ 2,161,367
Accrued Revenue	\$ 3,803,680	\$ 4,731,203	\$ -	\$ 8,534,883
Miscellaneous Current Assets	\$ 4,530,525	\$ 93,747	\$ -	\$ 4,624,272
	<u>\$ 21,328,775</u>	<u>\$ 22,037,418</u>	<u>\$ 9,356,866</u>	<u>\$ 52,723,059</u>

Cash \$372,010

Audit verified the reported cash to the following general ledger accounts:

30-40-00-00-135-00-00 Petty Cash-NH	\$ 1,500.00	New Hampshire
30-50-00-00-135-00-00 Petty Cash-ME	\$ 250.00	Maine
30-00-00-00-131-00-00 Cash Remittance	\$210,754.65	Common
30-00-00-00-131-00-01 Cash-Suspense	\$ -0-	Common
30-00-00-00-131-10-00 General Funds #4048	\$159,505.44	Common
30-00-00-00-131-20-00 Cash-Control Disbursement	\$ -0-	Common
30-00-00-00-131-40-00 Cash-Cash Pool	\$ -0-	Common
30-00-00-00-134-00-00 Other Special Deposits	\$ -0-	Common
Total Combined Cash	\$372,010.09	

Audit verified the total of the 131 accounts, \$370,260, and the total of the two 135 accounts, \$1,750 to the combined PUC Annual Report. The filing RevReq-4-1 reflects the cash as split among the NH, ME, and Common accounts.

The Petty Cash account for NH did not have any activity during the test year. The Petty Cash account for ME was not reviewed.

The Cash Remittance account is the primary account used to record cash activity and related transactions from customers, and includes lockbox, physical payments, and automated payments. Excess funds are transferred to the Bank of America account. The Bank of America account also receives incoming wire transfers. Excess funds in the NU-Bank of America account are transferred to the Unitil Corporation general funds account, also at Bank of America. In 2017, with the conversion to a new CIS system, the former six 131-00-0X accounts (3 for NH and 3 for ME) were consolidated into one common remittance GL account for both states. Audit requested and was provided with the bank statement and related general ledger reconciliation for December 2020. The \$210,754.65 was verified to year-end bank statements:

Bank of America	\$ 40.96
Citizens Bank	<u>\$210,713.69</u>
	\$210,754.65

The General Funds NU-Common account #4048 is used “primarily to record wires and deposits from non-customers, such as gas suppliers, payroll services, debt providers, etc. Funds needed or excess funds are moved from the Unitil Corporation general funds account.

The cash pool account is used by the entire Unitil Corporation and held in a Bank of America money market account that accrued interest daily. At December 31, 2020, NU reflected a borrowing balance of \$(26,747,021.72) which is noted in the Note Payable Cash pool account 30-00-00-00-233-00-00. Specifically, the cash pool reconciliation dated 1/3/2021 reflected positions as:

Unitil Corporation-available funds	\$ 16,110,641.70
Northern-borrowings	\$(26,747,021.72)
UES-borrowings	\$ (8,176,367.77)
FG&E-borrowings	\$(27,080,041.29)
USC-borrowings	\$ (3,015,270.70)
GSG-borrowings	\$ (3,108,123.72)
Power-available funds	\$ 140,619.88
Resources-borrowing	\$ (7,796.66)
Realty-borrowings	\$ (355,405.00)

Refer to the *Liabilities* portion of this report for additional information on the \$(26,747,021.21). Commitment fees and allocated charges related to the cash pool account for Northern (NH/ME/Common) totaled \$24,449.82 for 2020.

Accounts Receivable Gas \$23,594,967

Audit verified the reported filing \$23,594,967 to the PUC Annual Report and to the following general ledger accounts:

<u>Account</u>	<u>NH-40</u>	<u>ME-50</u>	<u>Total</u>
30-X0-00-00-142-00-00 AR-Other	\$ 160,408	\$ 453,185	\$ 613,593
30-X0-00-00-142-01-00 AR Sales	\$7,983,794	\$13,264,622	\$21,248,416
30-X0-00-00-142-01-01 AR Sales Suspense	\$ 590,469	\$ 514,986	\$ 1,105,455
30-X0-00-00-142-03-00 AR Sundry	\$ 259,127	\$ 117,698	\$ 376,825
30-X0-00-00-142-03-02 AR Misc. Accruals	\$ 107,364	\$ 135,835	\$ 243,199
30-X0-00-00-142-04-04 AR Rmbrsble Proj	\$ 1,020	\$ 6,460	\$ 7,480
Rounded Total	\$9,102,182	\$14,492,785	\$23,594,968

The total Accounts Receivable Gas as of 12/31/2019 was noted to be:

<u>NH-40</u>	<u>ME-50</u>	<u>Total</u>
\$7,924,711	\$13,491,732	\$21,416,443

Audit verified the Rounded Totals for both NH and ME to the filing Schedule RevReq-4-1 without exception. The 2020 NH Receivable total represents an increase of 15% over the 2019 balance.

COVID-19 Pandemic and Accounts Receivable

Audit requested clarification of the impact the COVID-19 pandemic had on the utility's accounts receivable, and related accounts, and was directed to docket IR 20-089. In summary, Governor Sununu issued Executive Order 2020-04, declaring a state of emergency due to the COVID-19 pandemic. On March 17, 2020, the Governor's Emergency Order #3 temporarily prohibited all providers of electric, gas, water, telephone, cable, VOIP, internet, and deliverable

fuels service in the State of New Hampshire from disconnecting or discontinuing service for non-payment while the State of Emergency remained in effect. The Order required utilities to provide reasonable payment arrangements over no less than a six-month period to customers with arrearages accrued during the state of emergency. The Order also directed the PUC to provide assistance and guidance.

On March 31, 2020, Commission Order 26,343 implemented the Governor's Order by ordering the regulated utilities within the state, including the New Hampshire Electric Cooperative, not to disconnect or discontinue service for non-payment and not charge any fees for late payment.

On June 4, 2020, an Order of Notice was issued, opening docket IR 20-089, Investigation into the Effects of the COVID-19 Emergency on Utilities and Utility Customers. The Order summarized several additional Executive Orders that were subsequently issued, extending the state of emergency, and scheduled a "virtual" status conference for June 17, 2020 to address the issues to be investigated. The Order also required utilities, beginning on June 30, 2020, and no later than the 30th day of every month following, until otherwise ordered by the Commission, to file updated written responses to the list of eleven specific requests for information included in the Order.

On September 10, 2020, the PUC Staff and the utilities, among other non-utility participants, after technical sessions, provided an Agreement which superseded the Order 26,343. Some, but not all of the provisions of the Agreement, relating to Gas and Electric Customers, are summarized:

For Commercial customers:

- Soft collections shall continue until August 31, 2020
- Disconnection notices shall resume on or after September 15, 2020
- Late payment charges shall not be assessed until on or after March 31, 2021
- No late payment charges shall be charged if a customer establishes a payment arrangement
- No deposits shall be collected from existing customers through December 31, 2020; deposit requests for new accounts can begin September 21, 2020
- 12-month payment arrangements shall be offered through December 31, 2020, with a one-time opportunity to catch up a missed payment and retain the payment arrangement

For Residential customers:

- Soft collections shall continue until September 30, 2020
- Disconnection notices shall resume on or after October 13, 2020
- Late payment charges shall not be assessed until on or after March 31, 2021
- No late payment charges shall be charged if a customer establishes a payment arrangement
- No deposits shall be collected from existing customers until April 1, 2021
- 12-month payment arrangements shall be offered through March 31, 2021, with at least one opportunity to catch up a missed payment and retain the payment arrangement

- No requests to disconnect medical accounts shall be made until April 1, 2021

On August 18, 2020, the PUC Staff issued a memorandum recommending the Commission authorize the utilities to create a regulatory asset for incremental bad debt and waived fees related to the COVID-19 pandemic.

On November 13, 2020, the PUC Staff provided a revised recommendation that the utilities create a regulatory asset for incremental bad debt expense, using the prior three calendar years as a base line average. The recommendation indicated carrying charges should not accrue on the deferred amounts, and that the regulatory asset would be subject to a prudence review when requested for recovery in rates, among other items. Northern responded on December 4, 2020, requesting authorization to include waived late payment fees in the regulatory asset. Based on the schedule provided, the Company anticipated an increase over the late payment charge revenue figure of \$104,863 used to set rates in DG 17-070 to \$175,357 through March 2021. Actual waived fees on the schedule, April through October 2020 sum to \$112,857. Late payment revenue on the schedule from January through mid-March 2020 was \$36,803. On December 18, 2020, PUC Staff responded indicating its unchanged recommendation that only incremental bad debt be part of a regulatory asset. As of December 31, 2020, the Commission had not ruled on the Staff's recommendation.

Northern reported in the December 30, 2020 report to the Commission that it had \$38,000 Bad Debt expense through November 30, 2020, and Waived fee revenue of \$133,000 (despite uncertainty relative to possible collection of the waived fee revenue). The report required for January 30, 2021 was received by the Commission February 2, 2021, and reflected information updated through January 31, 2021 showed:

Pandemic related costs	\$106,000
Bad Debt expense	\$ 44,000
Waived Fee revenue	\$147,000
Employment Tax Credits	\$ 87,364

An amendment to extend the financial hardship protections outlined in the Agreement was approved through May 31, 2021 per Secretarial Letter dated May 25, 2021.

On July 7, 2021 the Commission issued Order 26,495 which declined to authorize the establishment of a regulatory asset for incremental bad debt or waived late payment fees related to the COVID-19 pandemic. That Order indicated pandemic related costs would be reviewed in the context of a utility's "next rate case". A motion for reconsideration was submitted to the docket on August 6, 2021. On September 7, 2021 Order 26,515 was issued clarifying Order 26,495. The clarification affirmed the 26,495 Order and indicated that while a regulatory asset could not be created, the utilities could use accounting mechanisms to defer costs in order to seek recovery in a future rate proceeding. Refer to the 30-40-00-00-182-14-00 Reg Asset-Deferred Pandemic Costs-NH, \$43,700. The account was established prior to the Commission's July 7, 2021 Order.

Activity in the AR-Other, that at year-end 2020 reflected **\$160,408**, was reviewed. Monthly accruals and reversals for Off-system Sales and Sales for Resale, Company managed billing estimates, and capacity release credits represent the majority of the activity in the account. There were also eight entries related to recording and clearing “enQuesta Items in Transit”. enQuesta is the customer information system used by Northern.

The New Hampshire Accounts Receivable aged detail was requested and provided. A total of **\$7,983,794.38** was outstanding as of 12/31/2020. That figure includes receivables related to gas distribution, gas supply, water heater rental, jobbing revenue CIAC, converted burner, and “easy-care”. The Excel download from the “Online Reporting Business Intelligence Tool” was in excess of 34,000 lines. The aging in total reflected:

Credit Balances	\$ (590,468.78)
Current	\$6,813,076.41
30 Days	\$ 759,219.37
60 Days	\$ 143,856.36
90 Days	\$ 73,761.77
120 Days	\$ 577,384.13
360 Days	<u>\$ 206,965.12</u>
Total	\$7,983,794.38

The 2020 income for the year, per the PUC Annual Report, relating to the above receivables was:

Operating Revenue	\$66,683,473
Revenue from Merchandising, Jobbing and Contract Work	\$ 268,465
Nonoperating Rental Income	\$ (662)
Miscellaneous Nonoperating Income	<u>\$ 10,897</u>
	\$66,962,173

Audit reviewed the total Accounts Receivable balance of \$7,983,794.38 compared to the related revenue accounts’ total of \$66,962,173 and noted that the receivable represents 12% of the total revenue. \$1,761,186.75 of the Receivable figure is past due. Refer to the COVID-19 portion of this report.

Audit requested clarification of the \$206,965 receivable figure in excess of 360 days past due and was provided with the following: “Unitil’s CIS system captures each customer’s arrears monthly and allows us to track details such as who is on a payment plan, and/or flagged with varied protections...some customers have multiple statuses so the counts and dollars [in the grid provided] cannot be added together. For example, a customer might have a medical flag and be on a payment plan...Each day, the status of accounts changes as we communicate with customers to address their arrears and the customers take their next actions.”

<u>Customer Status as of 12/31/2020</u>	<u>Cust Count</u>	<u>360+ Arrears</u>
Medical	12	\$ 22,679.59
Medical with Life Support	04	\$ 17,504.17
Elderly	01	\$ 28.64
Low Income/Financial Hardship	41	\$ 21,058.27
On a Payment Plan	80	\$ 65,039.47
Inactive and Subsequently Paid	04	\$ 3,593.67
Inactive and Subsequently Written-off	74	\$ 69,224.38
		<u>\$199,128.19</u>

“There were other customers who did not have a protection or were not on a plan as of 12/31/2020, however, they were at various points in the collections process...”

30-40-00-00-142-01-01 A/R Sales Suspense with a year-end debit balance of **\$590,469** reflected monthly “gross up AR credit balances” at month end and reversing entries the first of the following month. Monthly credit entries were offset to account 30-40-00-00-232-05-02, A/P-Customer Credit Balances-NH. At 12/31/2021, the liability account reflected a balance of \$(590,468.78), mirroring the A/R balance. Audit requested clarification of the accounts and was informed that the quarterly entries move the customer credit balances from the 142 account to the 232 liability account, for “GAAP/external reporting purposes...something the auditors had [the Company] do several years ago.” The entries are booked and reversed quarterly. The aged receivable listing includes the credit balance of \$(590,469) within the total \$7,983,794 receivable figure. The actual general ledger liability account is included within the Accounts Payable figure of \$(639,411).

Account 30-40-00-00-142-03-00 A/R Sundry-NH **\$259,127** year-end balance is the result of:

Beginning Balance	\$ 72,000.10
Debits	\$ 1,924,095.81
Credits	<u>\$(1,736,969.12)</u>
Ending Balance	\$ 259,126.79

The activity was primarily entries identified as “NH Gas AR CIS Utility Billing”. Audit verified a debit entry at 2/29/2020 \$314,840.95 was included in the overall journal entry that follows:

30-40-00-00-142-03-00 A/R Sundry-NH	\$314,840.95	
30-49-13-11-484-00-00 Transportation Charges-Commodity	\$ 76,752.34	
30-40-00-00-143-25-00 A/R Cust Purch-Water Heaters-NH	\$ (1,857.60)	
30-40-00-00-164-16-00 Inventory-Nat Gas SSNE (Tenn Gas)	\$ (898.64)	
30-40-00-00-174-26-00 Inventory-Exchange Gas-Union	\$ (15,967.97)	
30-40-00-00-232-21-00 Customer Refunds-NH	\$ (54,416.38)	
30-40-00-00-241-19-03 Sales Tax Payable-CA-GST-HST	\$ (2,075.84)	
30-40-08-00-488-00-05 Pool Administration	\$ (191.60)	
30-40-08-00-488-00-06 3 rd Party Billing	\$ (1,837.00)	
30-40-80-00-415-71-00 Jobbing Labor Revenue-NH	\$ (55.00)	
30-49-13-10-483-02-00 Company Managed Demand-Peak	\$ (99,117.80)	
30-49-13-11-483-02-00 Company Managed Commodity-Peak	\$(159,275.12)	
30-40-80-00-892-15-00 Maint Serv-3 rd Party Billing-NH	\$ (664.00)	
30-40-00-00-107-00-00 Gas Const in Progress-NH	\$ (55,236.34)	
Total Journal Entry 4-AR-803589	\$391,593.29	\$(391,593.29)

Account 30-40-00-00-142-03-02 A/R Misc. Accruals **\$107,364**, is the sum of two entries. One, booked in August \$87,364.16 indicated it was posted to “*record Company Employment Retention Credit (ERC) miscellaneous tax journal entry*”. The other, booked in December for \$20,000 was noted to “*record Company FFCRA miscellaneous tax adjustment*”. Both entries were offset to account 30-40-03-00-408-03-10 Taxes-FICA-NH. The FFCRA represents the Families First Coronavirus Response Act. The FFCRA was enacted to assist families and their employers with extended paid leave due to the COVID-19 pandemic. As outlined on the IRS.gov website, eligible employers may either reduce the federal employment taxes owed, or if the credit anticipated from the IRS exceeds the applicable federal employment taxes, request an advance payment of the IRS using Form 7200. Audit requested clarification of the entries and was provided with:

“...an excerpt from Dan Hurstak’s Lead Lag testimony in the rate case, which is probably the best explanation of the two entries.

The CARES Act enacted the Employment Retention Credit (“ERC”) to encourage companies to retain employees during the pandemic. The ERC is a 50% credit on employee wages for employees that are retained and cannot perform their job duties at 100% capacity as a result of pandemic restrictions. The ERC is applied as a credit to employment taxes on the Company’s Form 941. In the third quarter of 2020, Northern recorded an ERC of approximately \$87,364.16 as a reduction to employment tax expense. This amount has been reflected as a pro forma adjustment to employment tax expense in this lead-lag analysis.

The Families First Coronavirus Response Act (“FFCRA”) provided paid sick leave for employees who had to quarantine, care for a quarantined individual, or care for a child whose school or childcare provider was closed or unavailable for reasons related to COVID-19. The FFCRA is applied as a credit to employment taxes on the Company’s Form 941. In the fourth quarter of 2020, Northern recorded a FFCRA of approximately \$20,000 as a reduction to employment tax expense. This amount has been reflected as a pro forma adjustment to employment tax expense in this lead-lag analysis”.

Audit verified the total specific NU-NH \$(107,364) to the Schedule RevReq 3-20 page 2 of 2:

ERC and FFCRA-NU-NH	\$ (107,364)
Capitalization rate	<u>46.69%</u>
Capitalized Amount	<u>\$ (50,128)</u>
Net Expense	\$ (57,236) + USC \$(38,022) = \$(95,258)

The Service Company, through the Service bills, invoiced NU-NH for expense purposes, \$(38,022) for the ERC at the Service Company level. The combined credits, \$(95,258) were identified as a proforma, eliminating the income statement impact of the credits received during the test year. For additional payroll tax information, refer to the *Payroll* portion of this report.

Account 30-40-00-00-142-04-04 A/R Reimbursable Projects **\$1,020** is the year-end balance resulting from eleven credits of \$(120) and one credit of \$(90). Monthly entries were noted to be part of larger entries with postings to a variety of revenue accounts. Credit entries were offset with debits to 30-40-00-00-142-01-00 A/R Sales-NH. Audit requested clarification of this account, and the Company stated that the activity related to CIAC related to the Hampton Highlands project for which 26 individuals participated in a gas expansion program. Each was charged \$1,800 and pay that amount back to Northern over 5 years at \$30 per month. The program began in 2014. At the end of 2020, there were 4 customers remaining in the program. The Company also noted that the name of the general ledger account is a misnomer.

Accounts Receivable Other \$199,464

The total Accounts Receivable Other was included in the Filing Requirement Schedule-4-1 as NH, ME, and Common. Audit verified each total to the general ledger as follows, with each account beginning with 30-X0-00-00:

General Ledger Account	<u>NH-40</u>	<u>ME-50</u>	<u>Common</u>	<u>Total</u>
-143-00-00 A/R-Other	\$185,898	\$12,076	\$ -0-	\$197,974
-143-03-03 A/R-Drug Subsidy	\$ 11,366	\$ 8,557	\$ -0-	\$ 19,923
-143-19-00 A/R Sales Tax Abatement	\$ -0-	\$ (4,782)	\$ -0-	\$ (4,782)
-143-25-00 A/R-Cust Purch-Wtr Htrs	\$ (15,672)	\$ (1,356)	\$ -0-	\$ (17,028)
-143-27-00 AR Employee PC Purch.	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$3,377</u>	<u>\$ 3,377</u>
Total Accounts Receivable Other	\$181,592	\$14,495	\$3,377	\$199,464

Audit verified the Rounded Totals for both NH and ME to the PUC Annual report. Review of the 30-40-00-00-143-00-00 A/R-Other-NH showed anticipated and received property tax abatements related to:

Portsmouth 3/31/20	\$(56,441.00) record receipt of tax abatement check
Reclass between long term and current property tax prepayments	\$223,481.54
Town of Seabrook voided checks	\$(37,532.37) 6/18/20 and \$(37,832.37) 12/23/20
Town of Salem voided checks	\$(36,994.81) and \$(36,994.81) both 6/18/20

Audit requested clarification of the impact of the abatement account and activity, and how it impacted DG 21-123, the Northern Utilities, Inc. Regulatory Cost Adjustment Mechanism. The Company indicated that the Abatement Receivable account had no impact on

the 2020 property tax expenses for NU-NH. Refer to additional detail included in the Prepayments portion of this report.

Accumulated Provision for Uncollectible Accounts \$(1,158,008)

The total Uncollectible was included in the Filing Requirement Schedule RevReq-4-1 as a combination of NH and ME, which agreed with the PUC Annual report.

30-40-00-00-144-00-00 AFDA (Beg Bal) Distribution-NH	\$ (70,504.00)
30-40-00-00-144-00-27 AFDA Non-distribution NH	\$ (97,467.69)
30-40-00-00-144-01-00 AFDA NH Distr	\$ (42,634.00)
30-40-00-00-144-04-00 AFDA Beg Bal Non-dist-NH	\$ (45,591.00)
30-40-00-00-144-13-00 AFDA Unbilled Rev Recvble	<u>\$ (38,736.00)</u>
Total NH	\$ (294,932.69)
30-50-xx-xx-144-xx-xx AFDA Maine	<u>\$ (863,075.00)</u>
Combined NH and ME	<u>\$(1,158,007.69)</u>

Note Receivable \$8,913,185

The total Notes Receivable was included in the Filing Requirement Schedule RevReq-4-1 as a Common asset only. The balance of \$8,913,185 was verified to the PUC Annual report as Accounts Receivable from Associated Companies. The total was verified to general ledger accounts:

30-00-00-00-146-01-02 A/R Assoc Co-Vendor Billback	\$ 37,546.82
30-00-00-00-146-01-12 A/R Assoc Co-USC	\$4,079,689.43
30-00-00-00-146-01-15 A/R Assoc Co-UC	<u>\$4,795,948.87</u>
	<u>\$8,913,185.12</u>

Materials and Supplies \$4,464,730

The total Materials and Supplies figure was included in the Filing Requirement Schedule RevReq-4-1 as a combination of NH and ME. The total also agrees with the PUC Annual report, and was verified to the following:

30-40-00-00-154-01-00 Materials and Supplies NH	\$2,413,534.66
30-40-00-00-154-02-00 Materials and Supplies NU-Transf	\$ 710.81
30-40-00-00-154-03-00 Materials and Supplies FGE Trans	<u>\$ 2,329.07</u>
	NH \$2,416,574.54
30-50-00-00-154-01-00 Materials and Supplies ME	\$2,044,080.32
30-50-00-00-154-02-00 Materials and Supplies Doc Tr ME	<u>\$ 4,075.16</u>
	ME \$2,048,155.48

Refer to the Plant Additions portion of this report for additional information regarding the Materials and Supplies account.

Stores Expense Undistributed \$708,100

The total Stores Expense Undistributed figure was included in the Filing Requirement Schedule RevReq-4-1 as a combination of NH and ME. The total was also verified to the PUC Annual report and to the following general ledger accounts:

30-40-00-00-163-00-00 Stores Undistributed NH	\$356,882.91
30-50-00-00-163-00-00 Stores Undistributed ME	<u>\$351,216.90</u>
	\$708,099.81

Audit reviewed the activity in the NH account and noted a net increase from 1/1/2020 to 12/31/2020 of \$56,367.88. Stores Expense journal entries which credited this account were debited to the Construction Work in Process account. Refer to the Plant Additions portion of this report for Stores expense testing.

Inventory \$308,079

The total Inventory figure was included in the Filing Requirement Schedule RevReq-4-1 as a combination of NH and ME. The PUC Annual report reflects the inventory as:

	NH	ME	Total
Gas Stored Underground-Current	\$267,731	\$ -0-	\$267,731
LNG Stored and Held for Processing	<u>\$ -0-</u>	<u>\$40,348</u>	<u>\$ 40,348</u>
	\$267,731	\$40,348	\$308,079

Audit verified the Inventory details to the general ledger:

30-40-00-00-164-16-00 Natural Gas SSNE (Tenn Gas/TGP) NH	\$267,731.25
30-50-00-00-164-52-00 Inventory Liquefied Nat Gas ME	\$ 40,347.69

Audit reviewed the activity in the NH 164 account and verified that that activity relates to the cost of gas filings.

Prepayments \$2,161,367

The total Prepayment figure was included in the Filing Requirement Schedule RevReq-4-1 as a combination of NH, ME, and Common. Each account began with 30-X0-00-00-:

<u>General Ledger Account</u>	<u>NH-40</u>	<u>ME-50</u>	<u>Common</u>	<u>Total</u>
165-01-00 PPD Property Insurance	\$ 4,195.88	\$ 9,642.04	\$ -0-	\$ 13,837.92
165-01-01 PPD Injuries/Damage	\$ 35,338.78	\$ 51,201.34	\$ -0-	\$ 86,540.12
165-02-00 PPD PUC Assessment	\$ -0-	\$ 456,530.52	\$ -0-	\$ 456,530.52
165-04-01 FASB 87 PPD Pension	\$ 64,895.36	\$ 237,781.34	\$ -0-	\$ 302,676.70
165-11-00 PPD Property Tax	\$775,410.41	\$ -0-	\$ -0-	\$ 775,410.41
165-12-00 PPD Postage	\$ -0-	\$ -0-	\$49,157.00	\$ 49,157.00
165-14-00 PPD Revolver	\$ -0-	\$ -0-	\$20,886.96	\$ 20,886.96
165-16-00 PPD Health Claims	\$ 17,600.00	\$ 23,000.00	\$ -0-	\$ 40,600.00
165-19-00 Other Misc. PPD	\$ 65,599.19	\$ 350,127.96	\$ -0-	\$ 415,727.15
Totals	\$963,039.62	\$1,128,283.20	\$70,043.96	\$2,161,366.78

Prepaid Property Tax NH, account 30-40-00-00-165-11-00 in the amount of \$775,410.41, represents 81% of the total NH prepayment figure. Audit requested clarification of the activity within the Prepaid Property Tax account, which demonstrated abatements and classification of long-term and current abatements, in light of the DG 21-123 docket and audit related to Northern’s petition for rate recovery mechanism for property tax. The Company responded:

“The activity in the Abatement Receivable account 30-40-00-00-143-00-00 has no impact on the 2020 property tax expenses for NU-NH. This activity is for abatements that were recorded in 2019 that were for property tax overpayments for tax years 2018 and earlier. Instead of the towns paying NU the amount of the property tax abatements in cash, NU agreed to reduce future property tax payments for a specified period. Due to GAAP reporting requirements, we need to track current and long-term receivables appropriately. For the towns of Seabrook and Salem, the property tax payment reductions extend through 12/31/22. For Portsmouth, the final property tax payment reduction was made in March 2020.

When NU made a payment for a property tax bill with the Abatement Receivable, the full amount of the 2020 expense was included, less the agreed upon reduction. For example, if the first bill was \$100, and the credit to be applied was \$20, NU would pay the town \$80. The entry would be as follows:

<i>Property Tax Expense</i>	<i>\$100</i>	
<i>Abatement Receivable</i>		<i>\$20</i>
<i>Cash</i>		<i>\$80”</i>

The property taxes are discussed in detail in the Property Tax portion of this report. The NH Prepaid Property Insurance, Injuries and Damage Insurance, FASB 87 Prepaid Pension, and Prepaid Health Claims are discussed with offsetting activity in the Operations and Maintenance portion of this report.

Other Miscellaneous Prepaid expenses, account 165-19-00, for NH, was reviewed. Activity included amortization entries related to:

- Smartworks Invoices
- American Gas Association dues
- Advertising program

Contractor Safety Outreach Program
Ventyx Software invoice provided
Credit Rating Fees-S&P and Moody's
Software License
Platts invoice

Audit requested documentation for the prepayments above and was provided with:

Smartworks prepayment was verified to an invoice for maintenance from Harris Computer Systems totaling \$79,529.94, dated 8/31/2020. The total was allocated among UES, FG&E, NU, and GSGT. NU-NH was charged 18% of the invoice, or \$14,315.39

American Gas Association dues \$84,145.00 2020 dues was allocated among:

UES 20-10-13-00-921-03-00	\$18,511.90
NU-ME 30-50-13-00-921-03-00	\$37,023.80
NH-NH 30-40-13-00-921-03-00	\$28,609.30

Offset to 30-40-13-00-921-03-00, Dues & Subscriptions-NH. Refer to the Operations and Maintenance section of this report and any determination of lobbying, which should be booked below the line. See also the proforma 3-10 adjustment within the filing RevReq schedule that reduced the Dues figure by \$(1,774).

Advertising related to Platt's and was mis-labeled. Refer to Platt's description below.

Contractor Safety Outreach Program was verified to an invoice from Culver Company for "2021 At-risk Worker Safety Outreach including 4 Tips of the Trade Emails". The \$49,747.00 invoice is dated 12/21/2020 and was allocated:

UES	20-10-24-00-909-52-00	\$ 9,949.40
NH-ME	30-50-24-00-909-52-00	\$21,391.21
NU-NH	30-40-24-00-909-52-00	\$15,919.04
GSGT	33-00-24-00-909-52-00	\$ 2,487.35

Ventyx \$55,200.37 invoice was from ABB Enterprise, Inc., dated 8/17/2020. The invoice was for SENDOUT software annual maintenance from October 2020 through October 2021 and was allocated among:

UES	20-10-13-00-921-38-00	\$12,144.08
NU-ME	30-50-13-00-921-38-00	\$24,288.16
NU-NH	30-40-13-00-921-38-00	\$18,768.13

Credit Rating Fees related to both S&P and Moody's. The S&P prepayment of \$15,010 was traced to an invoice dated 1/17/2020, for \$79,000. The invoice was allocated among all Unitil companies. A Moody's invoice totaling \$75,000 dated 10/19/2020 was also allocated among all of the Unitil companies, with \$14,250 identified for NU-NH. The invoice was for the annual period September 2019 through October 2020.

Platt's is a division of S&P Global. An invoice dated 7/10/2020 identified dues packages for daily web access to Gas Daily, Inside FERC, Market Data Natural Gas daily and monthly, Natural Gas Daily Market close, and a market data subscription fee. The total invoice was \$41,579.04, allocated among FG&E, NH-ME, and NU-NH for \$14,136.87.

Audit traced one entry, posted August 31, 2020, with the following results:

<u>Total Journal Entry NUGA750-835343 August 31, 2020:</u>		
30-40-24-00-909-52-00 OUTREACH AND EDUCATION	\$ 1,326.59	
30-40-00-00-165-19-00 OTHER MISC PREPAYMENT - NH amortize contractor safety outreach program		\$ (1,326.59)
30-40-13-00-921-38-00 PC SOFTWARE & SUPPLY - NH	\$ 1,562.14	
30-40-00-00-165-19-00 OTHER MISC PREPAYMENT - NH amortize software license		\$ (1,562.14)
30-40-13-00-921-03-00 DUES & SUBSCRIPTIONS - NH	\$ 2,384.11	
30-40-00-00-165-19-00 OTHER MISC PREPAYMENT - NH amortize American Gas Association		\$ (2,384.11)
30-40-13-00-921-03-00 DUES & SUBSCRIPTIONS - NH	\$ 1,143.76	
30-40-00-00-165-19-00 OTHER MISC PREPAYMENT - NH amortize advertising program		\$ (1,143.76)
30-40-08-00-921-01-11 CREDIT RATING FEES	\$ 1,250.83	
30-40-00-00-165-19-00 OTHER MISC PREPAYMENT - NH amortize credit rating fees		\$ (1,250.83)
30-49-01-77-928-03-00 REG COMM EXP - ASSESSMENTS - F	\$ 6,013.00	
30-40-00-00-165-02-00 PREPAID NH PUC ASSESSMENT - NH amortize PUC assessment flow through		\$ (6,013.00)
30-40-01-00-928-01-00 REG COMM ASSESSMENT/FEES-NH	\$ 30,747.00	
30-40-00-00-165-02-00 PREPAID NH PUC ASSESSMENT - NH amortize PUC assessment base		\$ (30,747.00)
30-40-00-00-242-33-00 UNEARNED REVENUE - UNH CONF	\$ 12,805.10	
30-40-80-00-415-73-00 UNH REVENUE amortize UNH contract revenue		\$ (12,805.10)
Total August 2020 journal entry NUGA750-835343	\$ 57,232.53	\$ (57,232.53)

Accrued Revenue \$8,534,883

The total Accrued Revenue figure was included in the Filing Requirement Schedule RevReq-4-1 as a combination of NH and ME.

New Hampshire	\$3,803,680
Maine	<u>\$4,731,203</u>
Total	\$8,534,883

The NU-NH portion of the Accrued Revenue total was verified to thirteen specific 30-40-00-00-173-XX-XX accounts. Unbilled Revenue-Base-NH 30-40-00-00-173-22-00 was the largest portion with a year-end balance of \$3,175,081.70. Refer to the Revenue portion of this report for more detailed information regarding the account.

Other Accrued Revenue accounts are reviewed during the annual Energy Efficiency audits, Environmental audits, and cost of gas audits.

Miscellaneous Current Assets \$4,624,272

The total Miscellaneous Current Assets figure was included in the Filing Requirement Schedules 4-1 as a combination of NH and ME. Each figure was also verified to the PUC Annual Report.

New Hampshire	\$4,530,525
Maine	<u>\$ 93,747</u>
Total	\$4,624,272

The New Hampshire total was verified to two general ledger accounts :

30-40-00-00-174-05-00 Vacation Accrual NH	\$ 104,250.33
30-40-00-00-174-26-00 Inventory Exchange Gas Union	<u>\$4,426,275.05</u>
Subtotal NH account 174	\$4,530,525.38

The Vacation Accrual account is used to track vacation time owed to the Company's employees. This account is adjusted quarterly with an offsetting entry to Accrued Vacation-NH, account #30-40-00-00-242-30-00. That account closed the test year with a credit balance of \$(104,250.33). Refer to the Payroll portion of this report for additional detail regarding vacations.

Inventory Exchange Gas-Union, account 30-40-00-00-174-26-00 shows a beginning balance of \$5,511,052.09 with inventory withdrawals of \$(9,298,407.19) and inventory injections of \$8,213,630.15 for a year-end balance of \$4,426,275.05. As inventory is withdrawn, the usage is included in the respective cost of gas related expense account. Audit work was performed on the account in the winter Cost of Gas reconciliation, docket DG 21-131.

Deferred Debits \$35,685,008

The total Deferred Debits within the filing schedule RevReq-4-1 shows:

	<u>NH</u>	<u>ME</u>	<u>Common</u>	<u>Total</u>
Unamortized Debt	\$ -0-	\$ -0-	\$1,359,851	\$1,359,851
Other	<u>\$13,872,478</u>	<u>\$20,353,943</u>	<u>\$ 98,736</u>	<u>\$34,325,157</u>
Total	\$13,872,478	\$20,353,943	\$1,458,587	\$35,685,008

The PUC Annual report reflects:

	<u>NU-NH</u>	<u>NU-ME</u>	<u>Common</u>	<u>Total</u>
Unamortized Debt Expense	\$ -0-	\$ -0-	\$1,359,851	\$ 1,359,851
Regulatory Assets	\$11,530,181	\$14,046,822	\$ -0-	\$25,577,003
Preliminary Survey	\$ 466,454	\$ 395,504	\$ -0-	\$ 861,958
Clearing Accounts	\$ 91,490	\$ 111,564	\$ -0-	\$ 203,054
Misc. Deferred	\$ 148,904	\$ 617,039	\$ 98,736	\$ 864,679
Unrecovered Purchase Gas	<u>\$ 1,635,449</u>	<u>\$ 5,183,014</u>	<u>\$ -0-</u>	<u>\$ 6,818,464</u>
Deferred Debits (rounded)	\$13,872,480	\$20,353,943	\$1,458,587	\$35,685,010

The NU-Common Unamortized Debt Expense was verified to:

30-00-00-00-181-01-00 Unamortized Debt Expense w/in 1 year	\$ 60,743.04
30-00-00-00-181-02-00 Unamortized Debt Expense	<u>\$1,299,108.19</u>
Common Unamortized Debt Expense	\$1,359,851.23

Refer to the Long-term Debt and Unamortized Debt Expense portions of this report for details regarding the Unamortized Debt Expenses.

The Other Deferred Debits total of **\$34,325,157**, also noted on Schedule RevReq-4-1, was verified to:

Regulatory Assets

10 accounts 182 for NH	\$11,530,181.33
12 accounts for 182 for ME	<u>\$14,046,822.11</u>
Account 182.3 annual report	\$25,577,003.44

Additional 182 accounts for both NU-NH and NU-ME were noted on the general ledger:

<u>Account</u>	<u>NU-NH</u>	<u>NU-ME</u>
30-X0-00-00-182-04-19 Reg Asset-Other PBOP	\$ 386,245.25	\$ 408,194.77
30-X0-00-00-182-04-20 Reg Asset-Other Pension	\$ 474,482.83	\$ 567,316.43
30-X0-00-00-182-04-21 Reg Asset-Other SERP	<u>\$ 235,850.71</u>	<u>\$ 286,262.60</u>
	\$1,096,578.79	\$1,261,773.80

ASU 2017-07, as summarized by the Company, indicated that the above accounts are not included on the NH PUC Annual Report: *“Compensation – Retirement Benefits (Topic 715)” does not allow for the capitalization of nonservice retirement costs. For FERC reporting (which are the reporting guidelines that Northern uses to file the NHPUC Annual Report), there has been no change to how nonservice retirement costs are capitalized, thus they are included in Plant in Service additions each year. As Unutil is required to file GAAP financial statements, we need to track those costs and record them as a regulatory asset with a contra asset in Plant. To reconcile this difference between FERC and GAAP reporting, the GAAP impact is removed from*

the FERC reporting (the regulatory asset is offset against the plant contra account).
Specifically:

30-40-00-00-101-90-00 NH Gas Plant in Service (GA Contra)	\$(1,123,255.41)	
30-40-00-00-108-90-00 Accum Dep Genl Plant NH (GA Contra)	\$ 26,676.62	
		\$(1,096,578.79)
30-40-00-00-182-04-19 REGULATORY ASSET - OTHER PBOP	\$386,245.25	
30-40-00-00-182-04-20 REGULATORY ASSET - OTHER PENSION	\$474,482.83	
30-40-00-00-182-04-21 REGULATORY ASSET - OTHER SERP	\$235,850.71	
		\$1,096,578.79

Audit reviewed FERC Docket AI18-1-000 and within a document signed by the Chief Account and Director, Division of Audits and Accounting, Office of Enforcement is the following:

“Question: Is it appropriate for jurisdictional entities to capitalize pension and PBOP costs using the method prescribed under ASU No. 2017-07?

Response: Provided that the pension and PBOP costs are based on appropriate labor costs and have a definite relation to construction as required under Electric Plant Instruction No. 4, Gas Plant Instruction No. 4, and Service Company Property Instruction No. 367.52, jurisdictional entities may continue to capitalize the service cost component and non-service cost components of pension and PBOP costs as it has traditionally been the widely accepted practice, or they may elect to capitalize only the service cost component of pension and PBOP costs, as prescribed by ASU No. 2017-07. Both methods are appropriate and are not precluded by the Commission’s accounting requirements...”

The NH 182 Deferred Regulatory Assets total \$11,530,181 is comprised of 10 general ledger accounts that relate to NH. Of those NH accounts, three relate to Environmental Remediation costs. That program is not included in base rates and is reviewed annually as part of the Winter Cost of Gas filings. The remaining accounts are:

	<u>12/31/2019</u>	<u>12/31/2020</u>
30-40-00-00-182-00-27 Non-dist Bad De	\$ 45,591.00	\$ 143,058.69
30-40-00-00-182-04-09 PBOP FAS 158	\$1,144,091.15	\$1,715,879.95
30-40-00-00-182-04-10 Pension FAS 158	\$4,949,569.79	\$6,094,495.51
30-40-00-00-182-04-11 SERP NH	\$ 722,788.54	\$ 905,087.24
30-40-00-00-182-14-00 Pandemic Costs	\$ -0-	\$ 43,700.00
30-40-00-00-182-15-00 Property Taxes	\$ -0-	\$ 622,682.00
30-40-00-00-182-99-01 OCA Consulting	\$ 702.73	\$ 702.73
Subtotal base rate Deferred Reg	\$6,862,743.21	\$9,525,606.12
Deduct SERP	<u>\$ (722,788.54)</u>	<u>\$ (905,087.24)</u>
Adjusted Deferred Reg Asset	\$6,139,954.67	\$8,620,518.88

As noted within the Payroll portion of this report, SERP should not be recovered from ratepayers.

The significant increase in the Non-distribution Bad Debt appears to be the result of the COVID-19 pandemic. Audit verified adjustments to the 182 account were offset to the 30-40-10-00-495-00-27 Accrued Revenue-Non-distribution Bad Debt revenue account. In November 2020, an entry in the amount of \$125,510.69 was debited to the 182 and credited to the 495 account, representing the majority of the change in balance from 2019 to 2020.

Audit verified activity within the -182-04-09, 182-04-10, and 182-04-11 to offsets posted to 30-40-00-00-253-XX-XX, and 30-40-00-00-283-XX-XX. Refer to the Liabilities section of this report.

The \$43,700 figure associated with Pandemic costs was one journal entry booked 12/31/2020 to “reclass excess bad debt expense to a regulatory asset”. Audit noted the credit offset posted to account 30-40-10-00-904-00-00 Provision for Doubtful Accounts-Distribution-NH.

The -182-15-00 Deferred Property Taxes was tested in detail in docket DG 21-123, with an audit report issued 9/29/2021. The regulatory asset account represents the estimated under-collection of property tax expenses in base rates, and was implemented as a result of RSA 72:8-d. The reconciliation of the DG 21-123 filing with the general ledger was included in the audit report and is included here for ease of understanding:

<u>Account Number</u>	<u>Description</u>	<u>12/31/2020</u>
30-40-10-00-408-12-00	Local Oper. Property Tax-NH	\$ 4,729,264.27
	less Greenland 2019 bill correction	\$ (316.50)
	Actual Balance 30-40-10-00-408-12-00	<u>\$ 4,728,947.77</u>
30-40-00-00-182-15-00	Reg Asset-Deferred Property Taxes-NH	\$ 622,682.00
	less Salem 2020 overpayment	<u>\$ (101,201.00)</u>
	Adjusted 30-40-00-00-182-15-00	\$ 521,481.00
	Adjusted general ledger agrees with CJG-1	\$ 5,250,428.77

The \$702.73 Deferred OCA Consulting costs were not reviewed. The balance has not changed since 2018 but is considered immaterial.

Preliminary Survey and Investigation

Prel Survey/Investigation NH 30-40-00-00-183-00-00	\$466,454.25
Prel Survey/Investigation ME 30-50-00-00-183-00-00	<u>\$395,504.20</u>
Account 183.1, 183.2 annual report	\$861,958.45

Account 30-40-00-00-183-00-00 reflected the following:

Balance beginning of 2020	\$377,600.39
Debits	\$ 88,931.68
Credits	<u>\$ (77.82)</u>
End balance 12/31/2020	\$466,454.25

There was a reclassification debit of \$15,807.80 and 21 debit entries related to “Process Pipeline Services” for which Audit requested clarification. The Company provided a copy of the journal entry crediting account 184 and debiting account 183, as well as two invoices summing to \$15,807.80 for professional services March – May 2020 at Old Dover Road bridge in Rochester, and Route 125 Station HDD also in Rochester. Both invoices were from Process Pipeline Services. The Company indicated that Process Pipeline is an engineering firm with expertise in the natural gas industry, and Northern uses them for most preliminary survey work, and some design work.

Clearing Accounts

Gas Exempt Stock NH 30-40-00-00-184-04-00	\$ 91,490.32
Gas Exempt Stock ME 30-50-00-00-184-04-00	<u>\$ 111,563.50</u>
Account 184 annual report	\$203,053.82

The NH account reflects monthly credits that sum to \$(177,693.18) that were offset to 30-40-00-00-107-00-00 Gas Const in Progress-NH. Miscellaneous small dollar vouchers were debited to the account for stock supplies from a variety of vendors.

Miscellaneous Deferred

NH 30-40-00-00-186-10-00 Prop Tax Abatement	\$148,904.41
8 accounts 186 for ME	\$617,039.00
2 accounts 186 for Common	<u>\$ 98,735.73</u>
Account 186 annual report	\$864,679.14

The Property Tax Abatement account included three entries during the year, each reclassifying the abatement figures to the account with the full title of Property Tax Abatement-Rec-LT-NH. The credits reduced the 12/31/2019 balance of \$372,385.95 by \$223,481.54. These deferrals, as discussed earlier in the Other Accounts Receivable section for account 143, represent the remaining abatements that will be used to offset future tax payments.

The Maine accounts were not reviewed. The two Common accounts are:

30-00-00-00-186-00-14, Prepaid Revolver-LT Portion	\$33,070.73
30-00-00-00-186-01-00, Deferred Debit LNG Facility RFP	\$65,665.00

The Prepaid Revolver relates to debt and is discussed in that section of this report. Audit requested clarification of the LNG Facility RFP and related deferrals, and the Company noted: *“In March 2020, Northern issued a confidential RFP for proposals to construct an LNG facility. We made a conditional award during the summer and signed an MOU with the winning bidder around Labor Day. We retained Pierce Atwood for support with the RFP and drafting and review of subsequent documents such as the MOE and more recently a draft Precedent Agreement.”* Audit requested the seven Pierce Atwood LLP invoices to support the debit entries posted to 30-00-00-00-186-01-00. Each was provided and demonstrated details of professional services related to the LNG Storage Facility RFP, ownership, MOU with winning bidder, etc. While the invoices support the amount posted, Audit has not concluded on the appropriateness of the selection of the firm.

Unrecovered Purchase Gas Costs total was verified to additional 186 accounts for NH as well as account 30-40-00-00-191-20-00:

4 zero balance 186 accounts and 191 account	\$1,635,449.36
4 accounts 191 Unrecovered Gas Costs Maine	<u>\$5,183,014.44</u>
Account 191 annual report	\$6,818,463.80

Order #24,906 dated October 10, 2008, Joint Petition for Approval of Stock Acquisition, docket DG 08-048, approved the settlement agreement in that docket. Section 2.4 of the settlement agreement states that transaction and transition would be amortized over a ten year period, although the Company did not seek ratepayer recovery of those costs.

Transition costs are non-recurring expenses incurred for transition and support services including expenses incurred under the Transaction Service Agreement which totaled \$2,693,610:

NiSource Service Fees	\$1,345,966
Consulting and Professional Fees	753,934
Incremental, Labor Overhead and Other	<u>593,709</u>
Total Transition Costs (rounded)	\$2,693,609

Transaction Costs are comprised of the following:

Investment Banking Fees	\$659,328
Legal Fees and Other	1,098,386
Bridge Facility Costs	<u>1,432,170</u>
Total Transaction Costs	\$3,189,884

The general ledger reflects the following:

	<u>12/31/2019</u>	<u>12/31/2020</u>
30-40-00-00-186-30-00 Transition Costs NH	\$ 2,693,610	\$-0-
30-40-00-00-186-30-01 Transaction Costs NH	\$ 3,189,884	\$-0-
30-40-00-00-186-30-90 Accum Amort Transition Costs	\$(2,177,335)	\$-0-
30-40-00-00-186-30-91 Accum Amort Transaction Costs	<u>\$(2,578,490)</u>	<u>\$-0-</u>
NET Transition/Transaction Costs and Acc. Amort	\$ 1,127,699	\$-0-

Audit reviewed each of the 186 accounts and noted the only activity in each was a reclassification entry booked 3/31/2020 that cleared each account to zero. Audit also verified that there was no activity posted to amortization expense accounts during the test year.

The 30-40-00-00-191-20-00 Unrecovered Gas Cost \$1,635,449.36 represents the rolling over/under balance related to the winter cost of gas revenue accruals. The account is tested during the annual cost of gas audit and related filing.

Balance Sheet Liabilities and Other Credits

The 2020 balance sheet liabilities and equity totaled \$(616,509,815), per the annual report. Audit verified the total liabilities and equity to the general ledger, as well as to schedule RevReq 4-2 of the filing:

Equity Capital	\$ (231,528,104)
Long-Term Debt	(230,000,000)
Current and Accrued Liabilities	(56,941,796)
Deferred Credits	<u>(98,039,915)</u>
Rounded Total Liabilities and Stockholder Equity	\$ (616,509,815)

Equity Capital \$(231,528,104)

Audit reviewed the general ledger for the equity capital accounts. The following accounts reported no activity during the 2020 test-year and maintained a zero balance since at least the prior rate case in 2016: account #204, Preferred Stock; accounts #202 and #205, Capital Stock Subscribed; accounts #203 and #206, Stock Liability for Conversion; account #207, Premium on Capital Stock; account #212, Installments Received on Capital Stock; account #213, Discount on Capital Stock; account #216.1, Unappropriated Undistributed Subsidiary Earnings; and account #217, Reacquired Capital Stock.

Audit verified that the test-year 2020 total equity capital consisted of the following general ledger account balances:

Common Stock Issued	\$ (1,000)
Other Paid-In Capital	(207,074,000)
Retained Earnings	<u>(24,453,104)</u>
Total Equity Capital	\$ (231,528,104)

Common Stock Issued – Account #201 \$(1,000)

The filing schedule RevReq-4-2 reported the Common Stock total of \$(1,000), as of December 31, 2020. This total agrees with the annual report, as well as with the general ledger NU-Common account 30-00-00-00-201-00-00, Capital Stock Common. Audit verified that there was no activity on the general ledger for the account and noted that the common stock issued amount for the 2020 test-year has not changed since the 2016 rate case audit, Docket No. DG 17-070. One-hundred percent of the shares of common stock is owned by Unutil Corporation.

Other Paid-in Capital – Account #208-211 \$(207,074,000)

The test-year 2020 total of \$(207,074,000) was reported on the annual report and verified to the general ledger NU-Common account 30-00-00-00-211-00-00, Miscellaneous Paid-in Capital, as well as to the filing schedule RevReq-4-2. The general ledger balance on the account reflected a \$6,375,000 increase from the 2019 year-end balance. The Company confirmed that, *“Unutil Corporation, from time-to-time, invests equity capital into its wholly-owned regulated utility subsidiaries [including Northern] for two primary purposes (1) re-capitalizing short-term borrowings with longer termed capital to better match the long lived nature of its utility plant and (2) to strengthen the balance sheet to support its investment grade credit ratings.”*

Audit reviewed the Unutil Corporation Board minutes for April 29, 2020, as well as a copy of the signed Unutil Corporation certificate, verifying the authorization *“to make capital*

contributions to Northern Utilities Inc., in an aggregate amount not to exceed Ten Million Dollars (\$10,000,000)”, to improve its capital structure and leverage statistics. Audit confirmed the journal entries made for the approved equity contribution from Unitil Corporation to NU, with a \$5M pushdown entry recorded in May 2020 and a \$1.375M pushdown entry recorded in December 2020. Audit verified that the equity contribution entries cleared the intercompany account (#146) for Unitil Corporation.

Retained Earnings \$(24,453,104)

The general ledger NU-Common account 30-00-00-00-216-00-00, Retained Earnings, reported a 2019 year-end balance of \$(24,380,042). There was a change of \$(73,062) in the retained earnings amount, with a 2020 test-year ending balance of \$(24,453,104). This total agrees with filing Schedule RevReq-4-2 and the annual report. The earning total ties with the net income for the NH, ME, and Common accounts:

NH	\$ (6,096,270)
ME	<u>\$ (8,643,131)</u>
Combined NH and ME Net Income	\$ (14,739,401)
Common	<u>\$ (9,713,702)</u>
Total Net Income	<u><u>\$ (24,453,104)</u></u>

Audit re-calculated the Company’s retained earnings and verified the total to the following general ledger balances:

216	Retained Earnings Opening Balance	\$ (24,380,042)
438	Dividends Declared – Common Stock	14,666,339
	Net Income per Annual Report for NU-NH and NU-ME	<u>(14,739,401)</u>
	Adjusted Retained Earnings at Year End Annual Report	<u>\$ (24,453,104)</u>

The Company’s common stock is owned solely by the Unitil Corporation. Audit reviewed the Northern Utilities Board of Directors meeting minutes, as well as copies of the dividend authorization letters provided by the Company. Audit re-calculated the quarterly dividend and confirmed the amount to the general ledger for account 30-00-00-00-238-02-00, Dividends Declared Common, as well as a copy of the 2020 equity schedule report for the Company’s dividend declarations. Quarterly journal entries on account 238-02-00 totaled \$14,666,340 in total common dividends paid during the 2020 test-year:

<u>Date</u>	<u>Per Share</u>	<u>Shares</u>	<u>Dividend</u>
01/31/20	\$ 36,665.85	100	\$ 3,666,585
04/30/20	\$ 36,665.85	100	\$ 3,666,585
07/31/20	\$ 36,665.85	100	\$ 3,666,585
10/31/20	\$ 36,665.85	100	<u>\$ 3,666,585</u>
			\$ 14,666,340

Audit reviewed an invoice for the first quarter dividend payments, confirming that the dividends are paid by Northern to Unitil Corporation. Offsetting entries for the quarterly dividends were verified to expense account 30-00-08-00-438-00-00, Dividend Declared Common Stock. No exceptions were noted.

DEBT

Long-Term Debt – Account #224 \$(230,000,000)

Audit verified the annual report total of \$(230,000,000), for the Company’s long-term debt, to the filing schedule RevReq-4-2. The test year 2020 long-term debt balance increased by \$31,800,000 from the 2019 year-end balance. The Company confirmed that, “*On September 15, 2020, Northern Utilities issued \$40 million of Notes due 2040 at 3.78% and used the net proceeds from this offering to repay short-term debt and for general corporate purposes.*” Audit also noted that the Senior Notes 5.29%, with a balance at the beginning of the year totaling \$(8,200,000), reached maturity in March 2020. The issuance of \$40M of notes, as well as the maturity of the Senior Notes 5.29% in March, is depicted in the following general ledger balances for the long-term debt outstanding:

		<u>2020</u>	<u>2019</u>
30-00-00-00-224-00-00	Senior Notes Payable 30 YR 4.04%	\$ (40,000,000)	\$ (40,000,000)
30-00-00-00-224-02-00	LT Debt Due Within 1 YR	-0-	(8,200,000)
30-00-00-00-224-02-90	LT Debt Due Within 1 YR Transfer	-0-	8,200,000
30-00-00-00-224-03-00	Senior Notes 7.72%	(50,000,000)	(50,000,000)
30-00-00-00-224-04-00	Senior Notes Pay 5.29% Due 03/02/20	-0-	(8,200,000)
30-00-00-00-224-05-00	Senior Notes Pay 4.42%	(50,000,000)	(50,000,000)
30-00-00-00-224-06-00	REG Notes 10YR 3.52%	(20,000,000)	(20,000,000)
30-00-00-00-224-07-00	REG Notes 30YR 4.32%	(30,000,000)	(30,000,000)
30-00-00-00-224-08-00	Senior Notes 20 YR 3.78%	(40,000,000)	-
	Total Long-Term Debt	<u>\$ (230,000,000)</u>	<u>\$ (198,200,000)</u>

Senior Note Payable 30 YR 4.04% – Account #30-00-00-00-224-00-00 \$(40,000,000)

Docket DG 19-090, Order No. 26,269 dated 7/02/2019, authorized the Company to issue promissory notes of up to \$50,000,000 with a long-term maturity of up to 30 years and a coupon rate not to exceed 5.50%. The proceeds are to be used to “*pay off short-term debt the Company incurred to complete capital projects.*”

The general ledger for account 224-00-00 was reviewed by Audit. As of December 31, 2020, Audit confirmed an outstanding balance of \$(40,000,000) on the account and tied the balance to the annual report, as well as the filing schedule RevReq 6-4. There was no activity reported on the general ledger for the test-year 2020. Audit reviewed a copy of the note purchase agreement which verified, under Section 8.2, the allowance of optional prepayments preceding the September 12, 2049 maturity date of the note: “*Prior to March 12, 2049, the Company may, at its option[...],prepay at any time all, or from time to time any part of, the Notes[...],at 100% of the principal amount.*”

The test-year 2020 interest amount for the 4.04% note totaled \$1,616,000. Audit confirmed the interest total to the annual report and interest payment schedule provided by the Company, which detailed the monthly interest accruals and semi-annual payments for each of the notes. The Company confirmed the interest billing and payment process in the following statement: *“For many of the debt issuances, the debt is held by multiple parties (mostly insurance companies). So, over the course of the year, we send approximately 70 different interest payments out to the debt holders.”* Audit requested the invoice for a sampled March journal entry, made for the semiannual interest payment on the 4.04% note, in the amount of \$606,000. Audit recalculated the interest payments and confirmed their debit entries on the general ledger to account 30-00-00-00-237-06-00, Interest Funded Debt. Monthly credits were noted on the account for the interest accruals with offsetting entries made to general ledger account 30-00-08-00-427-00-00, Interest on LT Debt – Common. The interest accruals and payments were verified to the interest payment schedule, as well as to a copy of an invoice from the debt holder for a sampled journal entry. No exceptions were noted. Refer to the Interest Expense section of this report for other details regarding the interest on long-term debt.

The general ledger for account 30-00-00-00-224-02-00, LT Debt Due Within 1 YR and account 30-00-00-00-224-02-90, LT Debt Due Within 1 YR Transfer, were reviewed by Audit, noting beginning balances of \$(8,200,000) and \$8,200,000, respectively. The test-year activity on the accounts reported entries made in March to reclass the current portion of the long-term debt. Audit confirmed that the amount of long-term debt that is due in the next 12 months is moved to account 30-00-00-00-224-02-00, LT Debt Due Within 1 YR, and offset to account 30-00-00-00-224-02-90, LT Debt Due Within 1 YR Transfer. Audit verified that when the \$8,200,000 balance for the 5.29% Senior Note was paid off in March 2020, the journal entry was made to reverse the balances. As of December 31, 2020, Audit confirmed an outstanding balance of \$0 on both of the accounts. No exceptions were noted. Refer to the Senior Note Pay 5.29% Due 3/2/20 section of this report for details regarding the terms of the debt.

Senior Notes Series B 7.72% – Account #30-00-00-00-224-03-00 \$(50,000,000)

Docket DG 08-079, Order No. 24,905 dated 10/10/2008, authorized the Company to issue and sell to institutional investors, unsecured promissory notes *“priced in two tranches: \$30 million at a fixed coupon rate of 6.95%, with a 10-year maturity[...], and \$50 million at a fixed coupon rate of 7.72%, with a 30-year maturity.”* The proceeds from the issuance and sale of the notes would be used *“to refinance a portion of Northern's capitalization upon the acquisition of Northern by Unifil, a matter before the Commission in Docket No. DG 08-048.”*

The general ledger for account 224-03-00 was reviewed by Audit. As of December 31, 2020, Audit confirmed an outstanding balance of \$(50,000,000) on the account and tied the balance to the annual report, as well as the filing schedule RevReq 6-4. There was no activity reported on the general ledger for the test-year 2020. Audit reviewed a copy of the note purchase agreement which verified, under Section 8.2, the allowance of optional prepayments prior to the note maturity date of December 3, 2038: *“The Company may[...], prepay at any time all, or from time to time any part of, the Notes[...], at 100% of the principal amount.”*

The test-year 2020 interest amount for the 7.72% senior note totaled \$3,860,000. Audit confirmed the interest total to the annual report and the interest payment schedule provided by the Company, which detailed the monthly interest accruals and semi-annual payments for each of the notes. Refer to the Senior Note Payable 30 YR 4.04% section of this report for details regarding the interest billing from debt holders.

Audit requested the invoice for a sampled December journal entry, made for the semi-annual interest payment on the 7.72% note, in the amount of \$887,800. Audit recalculated the interest payments and confirmed their debit entries on the general ledger to account 30-00-00-00-237-06-00, Interest Funded Debt. Monthly credits were noted on the account for the interest accruals, with offsetting entries made to general ledger account 30-00-08-00-427-00-00, Interest on LT Debt – Common. The interest accruals and payments were verified to the interest payment schedule, as well as to a copy of an invoice from the debt holder for a sampled journal entry. No exceptions were noted. Refer to the Interest Expense section of this report for other details regarding the interest on long-term debt.

Senior Note Pay 5.29% Due 3/2/20 – Account #30-00-00-00-224-04-00 \$0

Docket DG 09-239, Order No. 25,068 dated 1/22/2010, authorized the Company to issue up to \$25,000,000 in long-term debt with a term of 10 years and at a rate not of 5.29%. The primary purpose of the financing is to refinance Northern's short-term debt. Audit confirmed the 3/2/2010 issuance of \$25,000,000 of the Company's 5.29% senior notes, to the 2010 annual report. Audit also noted that the Note Purchase agreement included "*[t]he Company agrees that on March 2 in each year commencing March 2, 2018 and ending March 2, 2020, it will redeem and there shall become due and payable on the principal indebtedness evidenced by the Notes an amount equal to the lesser of (i) \$8,400,000 or (ii) the principal amount of the Notes then outstanding.*" Audit reviewed the prior years' trial balance and confirmed that there was activity on the account, in the amount of \$(8,400,000) annually, beginning in 2018 and ending in 2020.

The test-year 2020 general ledger for account 224-04-00 was reviewed by Audit, noting a beginning year outstanding balance of \$(8,200,000). As of December 31, 2020, Audit confirmed an outstanding balance of \$0 on the account and tied the zero balance to the Annual Report. The general ledger activity reported eight debit transactions, each recorded on 3/11/20 and totaling the final payment of \$8,200,000 for the debt obligation. Audit verified the journal entries for the total final payment to both the billing statements from institutional investors, as well as to the accompanying wire transfer receipts, and confirmed the amounts cleared the cash account #131. No exceptions were noted.

A copy of the note purchase agreement was reviewed by Audit, confirming the terms regarding the issuance and sale of the Company's \$25,000,000 of 5.29% senior notes, due March 2, 2020. The test-year 2020 interest amount for the 5.29% note totaled \$72,297. Audit confirmed the interest total accrued to the annual report and the interest payment schedule provided by the Company, which detailed the monthly interest accruals and semi-annual payments for each of the notes. Audit acknowledges that there was only one interest payment made during the test-year for the 5.29% note, as the note was paid off in March 2020. Refer to the Senior Note Payable 30 YR 4.04% section of this report for details regarding the interest

billing from debt holders, as well as the review of invoices from sampled interest payments made semi-annually.

Audit recalculated the interest payment and confirmed the debit entries on the general ledger to account 30-00-00-00-237-06-00, Interest Funded Debt. Monthly credits were noted on the account for the January and February interest accruals, with offsetting entries made to general ledger account 30-00-08-00-427-00-00, Interest on LT Debt – Common. The interest accruals and payments were verified to the interest payment schedule. No exceptions were noted. Refer to the *Interest Expense* section of this report for other details regarding the interest on long-term debt.

Senior Notes Pay 4.42% – Account #30-00-00-00-224-05-00 \$(50,000,000)

Docket DG 14-101, Order No. 25,670 dated 5/23/2014, authorized the Company to incur long-term debt, through the issuance and sale of up to \$50 million in senior notes “*from institutional investors through promissory notes*”, with terms of 30 years and at interest rates not to exceed 6.5%.” Northern stated that it intended to sell the notes directly to institutional investors where the proceeds from the selling of the notes would be used to pay off short-term debt incurred to complete capital projects.

Audit reviewed the general ledger for account 224-05-00. As of December 31, 2020, Audit confirmed an outstanding balance of \$(50,000,000) on the account and tied the balance to the annual report, as well as the filing schedule RevReq 6-4. There was no activity reported on the general ledger for the test-year 2020. Audit reviewed a copy of the note purchase agreement which verified, under Section 8.2, the allowance of optional prepayments prior to the note maturity date of October 15, 2044: “*The Company may, at its option[...]prepay at any time all, or from time to time any part of, the Notes[...]at 100% of the principal amount.*”

The test-year 2020 interest amount for the 4.42% senior note totaled \$2,210,000. Audit confirmed the interest total to the annual report and the interest payment schedule provided by the Company, which detailed the monthly interest accruals and semi-annual payments for each of the notes. Refer to the *Senior Note Payable 30 YR 4.04%* section of this report for details regarding the interest billing from debt holders.

Audit requested the invoice for a sampled April journal entry, made for the semiannual interest payment on the 4.42% senior note, in the amount of \$442,000. Audit recalculated the interest payments and confirmed their debit entries on the general ledger to account 30-00-00-00-237-06-00, Interest Funded Debt. Monthly credits were noted on the account for the interest accruals, with offsetting entries made to general ledger account 30-00-08-00-427-00-00, Interest on LT Debt – Common. The interest accruals and payments were verified to the interest payment schedule, as well as to a copy of an invoice from the debt holder for a sampled journal entry. No exceptions were noted. Refer to the *Interest Expense* section of this report for other details regarding the interest on long-term debt.

REG Note 10YR 3.52% – Account #30-00-00-00-224-06-00 \$(20,000,000)

Docket DG 17-019, Order No. 26,003 dated 4/10/2017, authorized the Company to issue up to \$75 million in long-term debt at an interest rate of not more than 5.5 percent. Audit reviewed the updated pricing information issued by the PUC, which established that on April 21, 2017, “*Northern priced \$20 million of 3.52 percent senior unsecured notes due 2027 and \$30 million of 4.32 percent senior unsecured notes due 2047, for a total offering of \$50 million[...]*versus the \$75 million in the initial filing.” See below for discussion of the \$30 million.

Audit reviewed the general ledger for account 224-06-00. As of December 31, 2020, Audit confirmed an outstanding balance of \$(20,000,000) on the account and tied the balance to the annual report, as well as the filing schedule RevReq 6-4. There was no activity reported on the general ledger for the test-year 2020. Audit reviewed a copy of the note purchase agreement which verified, under Section 8.2, the allowance of optional prepayments prior to the note maturity date of November 1, 2027: “*The Company may, at its option[...]*prepay at any time all, or from time to time any part of, the Series A Notes[...]*at 100% of the principal amount.*”

The test-year 2020 interest amount for the 3.52% note totaled \$704,000. Audit confirmed the interest total to the annual report and the interest payment schedule provided by the Company, which detailed the monthly interest accruals and semi-annual payments for each of the notes. Refer to the Senior Note Payable 30 YR 4.04% section of this report for details regarding the interest billing from debt holders, as well as the review of invoices from sampled interest payments made semi-annually.

Audit recalculated the interest payments and confirmed their debit entries on the general ledger to account 30-00-00-00-237-06-00, Interest Funded Debt. Monthly credits were noted on the account for the interest accruals, with offsetting entries made to general ledger account 30-00-08-00-427-00-00, Interest on LT Debt – Common. The interest accruals and payments were verified to the interest payment schedule. No exceptions were noted. Refer to the Interest Expense section of this report for other details regarding the interest on long-term debt.

REG Notes 30YR 4.32% – Account #30-00-00-00-224-07-00 \$(30,000,000)

Docket DG 17-019, Order No. 26,003 dated 4/10/2017, authorized the Company to issue up to \$75 million in long-term debt at an interest rate of not more than 5.5 percent. Audit reviewed the updated pricing information letter issued by the PUC, which established that on April 21, 2017, “*Northern priced \$20 million of 3.52 percent senior unsecured notes due 2027 and \$30 million of 4.32 percent senior unsecured notes due 2047, for a total offering of \$50 million[...]*versus the \$75 million in the initial filing.”

Audit reviewed the general ledger for account 224-07-00. As of December 31, 2020, Audit confirmed an outstanding balance of \$(30,000,000) on the account and tied the balance to the annual report, as well as the filing schedule RevReq 6-4. There was no activity reported on the general ledger for the test-year 2020. Audit reviewed a copy of the note purchase agreement which verified, under Section 8.2, the allowance of optional prepayments prior to the note

maturity date of November 1, 2047: “*The Company may, at its option[...]prepay at any time all, or from time to time any part of, the Series B Notes[...]at 100% of the principal amount.*”

The test-year 2020 interest amount for the 4.32% note totaled \$1,296,000. Audit confirmed the interest total to the annual report and the interest payment schedule provided by the Company, which detailed the monthly interest accruals and semi-annual payments for each of the notes. Refer to the Senior Note Payable 30 YR 4.04% section of this report for details regarding the interest billing from debt holders, as well as the review of invoices from sampled interest payments made semi-annually.

Audit recalculated the interest payments and confirmed their debit entries on the general ledger to account 30-00-00-00-237-06-00, Interest Funded Debt. Monthly credits were noted on the account for the interest accruals, with offsetting entries made to general ledger account 30-00-08-00-427-00-00, Interest on LT Debt – Common. The interest accruals and payments were verified to the interest payment schedule. No exceptions were noted. Refer to the Interest Expense section of this report for other details regarding the interest on long-term debt.

Senior Notes 20 YR 3.78% – Account #30-00-00-00-224-08-00 \$(40,000,000)

Docket DG 20-078, Order No. 26,385 dated 7/28/2020, authorized the Company to issue and sell up to \$50,000,000 in institutional investor senior notes with a maturity of up to thirty years and at an interest rate not to exceed 5.25%. Northern proposed financing of only issuing \$40 million of 20-year senior unsecured notes at a rate of 3.78 percent and PUC Staff calculated that, “*the [\$40M] financing would result in a more balanced capital structure. The purpose of the debt is to pay off short-term debt incurred to complete capital projects and to fund 2020 capital expenditures.*” Audit reviewed the general ledger for account 224-08-00 and verified the 9/30/20 credit entry of \$(40,000,000) to record the receipt for the new debt. As of December 31, 2020, Audit confirmed an outstanding balance of \$(40,000,000) on the account and tied the balance to the annual report, as well as the filing schedule RevReq 6-4.

Audit reviewed a copy of the note purchase agreement and verified the interest rate of 3.78% to the debt interest amortization schedule provided by the Company. Interest payments were scheduled to be made biannually in March and September, per the amortization schedule, and will begin in March 2021. Audit understands the commencing of interest payments in 2021, due to the 9/30/20 receipt of the new debt. Refer to the Interest Expense section of this report for other details regarding the interest on long-term debt.

Unamortized Debt Expense – Account #181 \$1,359,851

The 2020 Unamortized Debt Expense totaled \$1,359,851 on the annual report, as well as on the filing schedule RevReq-4-1. The figure represented the remaining unamortized amount of debt issuance costs associated with obtaining the long-term debt. Refer to the Interest Expense and Long Term Debt sections of this report for details regarding the promissory notes. The following depicts the NU-Common general ledger accounts that comprise the Unamortized Debt Expense for the test-year 2020:

30-00-00-00-181-01-00	Unamortized Debt Expense – Within One Year	\$	60,743
30-00-00-00-181-02-00	Unamortized Debt Expense		<u>1,299,108</u>
	Total Unamortized Debt Expense	\$	<u>1,359,851</u>

Unamortized Debt Expense-Within One Year – Account #30-00-00-00-181-01-00 \$60,743

The general ledger was reviewed with two entries on the account for the reclassification of the unamortized debt expense. The Company verified that the entries were “*made to reduce the unamortized portion of debt issuance costs by one month (in January and again in February). The underlying debt associated with these entries was due for repayment on March 2, 2020. Therefore, the Short-Term portion that had previously been recorded was reduced by one month (each month) during the 12 months preceding the debt due date. Since the debt was settled in March, 2020, there was no remaining unamortized debt issuance costs.*” Audit selected a 2/29/20 entry totaling \$(3,064) and reviewed the schedule for the amortization of the debt expense, verifying the amount for February, as well as the debt repayment date in March 2020. Refer to the Senior Note Pay 5.29% Due 3/2/20 – Account #30-00-00-00-224-04-00 section of this report for further details regarding the terms of the debt associated with these journal entries.

Unamortized Debt Expense – Account #30-00-00-00-181-02-00 \$1,299,108

Audit reviewed the journal entries on the Unamortized Debt Expense account. Transactions reflected the monthly amortization of debt costs. Offsetting entries for the NH and ME allocation were confirmed to account 30-40-08-00-428-00-00, Amortization of Debt Expense – NH, and account 30-50-08-00-428-00-00, Amortization of Debt Expense - ME. Audit recalculated and confirmed the test-year total amount of \$32,525 for the NH portion of the amortization of debt expense entries. Refer to the Interest Expense, Amortization of Debt Expense NH – Account #30-40-08-00-428-00-00 section of this report for details regarding the monthly amortization calculation and general ledger activity.

Audit noted two debit entries on the -181 account for wires made to Chapman and Cutler, LLP and Bank of America, in the amount of \$49,043 and \$142,294, respectively. The Company explained that the entries were made for the “*costs paid to banks and attorneys in connection with the issuance of [debt].*” Audit reviewed copies of the invoices, which itemized expenses charged, as well as the wire transfer instructions for both the Chapman and Cutler, LLP and Bank of America. Audit confirmed that both expenses were in connection with the 3.78% Senior Notes; the Chapman and Cutler, LLP expense was for services rendered and expenses incurred as special counsel and the Bank of America expense was for the placement fee and out-of-pocket expenses. No exceptions were noted. Refer to the Senior Notes 20 YR 3.78% – Account #30-00-00-00-224-08-00 section of this report for details regarding the terms of the debt associated with these journal entries.

Credit Agreement – Revolver

The following general ledger account balances represent the total outstanding prepaid revolver:

30-00-00-00-165-14-00	Prepaid Revolver – Short-Term Portion	\$ 20,887
30-00-00-00-186-00-14	Prepaid Revolver – Long-Term Portion	<u>33,071</u>
	Total Prepaid Revolver	\$ 53,958

The Company described the credit agreement in the following statement: *“Prepayment and deferred charges are associated with costs to set up the”* (Unitil Corporation) *“Company’s Restated Credit Agreement, which is being amortized over the life of the agreement.”* Audit reviewed the Credit Agreement, executed on July 24, 2015, and understands that it is an Amendment to the Amended and Restated Credit Agreement originally dated October 4, 2013. Audit inquired if there had been any further amendments executed since 2015. The Company responded by stating that, *“We are currently operating under the Second Amended and Restated Credit Agreement dated July 25, 2018. All fees associated with these transactions will be tracked by the amortization schedules maintained by Accounting.”*

Audit reviewed the Second Amended and Restated Credit Agreement dated July 25, 2018, which included terms identifying Unitil’s \$120M revolving facility, along with a \$25M sublimit and where Letters of Credit will be issued by Bank of America. Audit understands that NU’s short-term borrowings are *“provided under a cash pooling and loan agreement between Unitil and its subsidiaries. Under the existing pooling and loan agreement, Unitil Corporation borrows, as required, from its banks on behalf of its subsidiaries.”* Per the annual report, Audit confirmed that, *“At December 31, 2020, Unitil had unsecured committed bank lines of credit for short-term debt aggregating \$120 million.”* Audit also verified that as of 12/31/20, NU had \$26,747,022 of short-term debt outstanding through bank borrowings, as reported in the annual report, as well as in the filing schedule RevReq-6-5.

Amortization of Revolving Credit Line Fees

Audit reviewed the credit revolver amortization schedule that was provided by the Company and confirmed that the 2015 revolver fees of \$195,808 was being amortized over five years. Per the amortization schedule and the corresponding journal entries, Audit verified that the 2015 monthly amortization of \$3,108 ended in October 2020. The 2018 new credit line amortization of \$1,740.58 per month was also confirmed as being amortized over five years, beginning in 2018 and with an 8/31/2018 balance of \$188,352. Audit tied the current portion adjusted balance of \$58,134, along with the \$25,736 change in the long-term portion of the prepaid revolver, to account for the monthly amortization which includes the 2018 new credit line fees.

Audit reviewed the general ledger for account 30-00-00-00-165-14-00, Prepaid Revolver, noting that the account represents the current portion of the prepaid revolver, with an outstanding balance totaling \$20,887, as of 12/31/20. The test-year activity within the account totaled \$(31,081) and reflected the amortization of the prepaid balance, as well as entries to reclassify an amount from long-term to the short-term portion of the prepaid revolver.

Audit confirmed 10 credit entries of \$4,848.65 for the total monthly amortization with 10 corresponding debit amortization entries of \$1,740.58 for the change in the long-term portion of

the pre-paid revolver. Audit recalculated the entries and confirmed the \$3,108.07 monthly amortization of the 2015 revolver fees, which totaled \$195,808 from August 2015 to October 2020, as well as the monthly \$1,740.58 entries for the August 2018 adjusted long-term balance of \$125,320, which resulted from the commencement of the new 2018 credit line fees. Audit confirmed the offsetting entries for the amortization of the revolving credit line fees to account 30-00-08-00-921-01-08, Bank Fees and Commitment Fees – Common. The offsetting credit entries for the change in the long-term portion of the prepaid revolver were confirmed to account 30-00-00-00-186-00-14, Prepaid Revolver – Long Term Portion, as well as to the amortization schedule provided by the Company. No exceptions were noted.

The general ledger for account 30-00-00-00-186-00-14 Prepaid Revolver – Long Term Portion, was reviewed. The account represents the non-current portion of the prepaid revolver, with an outstanding balance totaling \$33,071, as of 12/31/20. There were twelve monthly credit entries recorded on the account for reclassifying the long-term to the short-term portion of the outstanding prepaid revolver. Each monthly entry was in the amount of \$1,740.58 and totaled \$20,887 for the test-year. Offsetting entries were confirmed to account 30-00-00-00-165-14-00, Prepaid Revolver with no exceptions noted.

Current and Accrued Liabilities \$(56,941,796)

Audit tied the general ledger balances, for the current and accrued liability accounts, to the annual report and to the filing schedule RevReq-4-2. The following represents the total Current and Accrued Liabilities:

232	Accounts Payable (See <i>Operations and Maintenance</i> section)	\$ <u>(7,178,826)</u>
233	Notes Payable to Associated Companies	\$ <u>(26,747,022)</u>
234	Accounts Payable to Associated Companies	\$ <u>(7,400,409)</u>
235	Customer Deposits (See <i>Revenue</i> section)	\$ <u>(592,302)</u>
236	Taxes Accrued (see <i>Tax</i> section)	\$ <u>(63,034)</u>
237	Interest Accrued	\$ <u>(2,094,467)</u>
238	Dividends Declared	\$ <u>(3,666,585)</u>
241	Tax Collections Payable (see <i>Tax</i> section)	\$ <u>(174,522)</u>
242	Miscellaneous Current and Accrued Liabilities	\$ <u>(9,024,629)</u>
	Total Current and Accrued Liabilities	\$ <u>(56,841,796)</u>

Accounts Payable – Account #232 \$(7,178,826)

The general ledger balance of \$(7,178,826) for account 232, Accounts Payable, was tied to both the annual report and the filing schedule RevReq-4-2. The figure has decreased from the 2019 year-end balance of (\$8,651,894). There were 30 accounts included in the Accounts Payable (A/P) aggregate balance of \$(7,178,826), including 20 accounts from NU-Common, 4 accounts from NU-ME, and 6 accounts from NU-NH.

Audit noted that there were only 4 A/P accounts that maintained a \$0 year-end balance and of those 4 accounts, the following 3 accounts reported activity on the general ledger for the test-year: 30-00-00-232-02-01, Accrued Payroll; 30-00-00-00-232-20-00, Accounts Payable Wage Assignment; and 30-40-00-00-232-21-01, Accounts Payable Customer Deposit Refund NH. Refer to the Payroll, Operations and Maintenance, and Revenue sections of this report for further details.

Accounts Payable Aging

The aged accounts payable listing totaled \$(33,685), as of December 31, 2020. Audit verified the \$(33,685) total to general ledger the NU-Common account 30-00-00-00-232-01-00, Accounts Payable. A listing of vendors, along with the corresponding invoices received by the Company, were reported on the aging report if the invoices were not paid as of 12/31/2020. The Company confirmed that, “*The AP Aging Report is reviewed monthly by the AP team and AP Manager. In addition, the AP aging is also reviewed by the Accounting Manager during the quarterly financial close.*” Audit verified that the majority of payables listed on the aged accounts payable report were due within 30 days.

A total of seven invoices were listed as payables in the past due buckets. Three of the payables, totaling \$2,219, were listed in the “60-day” past due bucket and the other four payables/credits, totaling \$(19,507), were listed in the “90-day” past due bucket. All of the payables/credits were from Mueller Co. with invoice dates ranging from September to November 2020. Audit noted that one invoice was a credit from December 2019. A copy of the check receipt to The Mueller Co., as well as the email correspondence regarding the outstanding amounts listed on the AP aging, were also reviewed. A March 2021 copy of the check receipt as proof of payment was reviewed by Audit, along with the \$(19,507) credit received for invoices paid relating to a return. No exceptions were noted.

Notes Payable to Associated Companies – Account 30-00-00-00-233-00-00 \$(26,747,022)

The Company’s short-term debt outstanding for the test year 2020 totaled \$(26,747,022), and was verified to NU-Common account 30-00-00-00-233-00-00, Notes Payable Cash Pool. The total represented a net decrease in short-term debt of \$1,747,658 from the previous year-end balance. As of December 31, 2020, the short-term debt balance represented 5% of the Company’s net fixed plant amount of \$528,014,901. Compliant with NH Puc 507.09, the total short-term debt does not exceed 10% of the utility’s net fixed plant. Audit verified the short-term debt to line 35 of the annual report, Notes Payable to Associated Companies (233), as well as to the filing schedule RevReq-4-2.

Audit requested the test-year 2020 Account Summary report for the general ledger account #233, Notes Payable Cash Pool. The outstanding short-term debt balance on the Account Summary Report tied to the short-term debt outstanding reported within the annual report and the filing schedule RevReq-6-5.

The Company's short-term borrowings are provided through a cash pooling and loan agreement between Unitil Corporation and its subsidiaries, as Northern supplements internally generated funds through short-term borrowings under the Unitil Corp Cash Pool. Audit reviewed the Unitil Corporation Cash Pooling and Loan Agreement ("Cash Pool") within section 5a of the 2020 Unitil Cost Allocation Manual, verifying the following:

"Unitil Corporation affiliates also participate in a Cash Pooling and Loan Agreement ("Cash Pool")... , which is administered by Unitil Service Corp. The Unitil Cash Pool is specifically approved for use by regulators. The Cash Pool is a mechanism which allows each Unitil company to manage its cash balances and thereby optimize interest income, interest expense, and short-term funding needs. Each company maintains a balance in the Cash Pool with receipts and disbursements tracked on a daily basis. As a party to the Cash Pool Agreement, participating affiliates are allowed to request advances from and contribute surplus funds to Unitil's Cash Pool."

The allocation guidelines among Unitil Corporation's participating affiliates, for the Cash Pool commitment and service fees, as well as the charge for Cash Pool interest, was also explained in the Cash Pooling and Loan Agreement. Audit understands that the Cash Pool commitment and service fees are allocated in proportion to each affiliate's aggregate principal amount of advances from the Cash Pool and that, *"Cash Pool interest is charged to each affiliate based on the unpaid principal amount of the Advance from the Cash Pool, from the date of the Advance until it is paid in full."*

The general ledger for account 30-00-00-00-233-00-00, Notes Payable Cash Pool was reviewed by Audit. There were four credit entries on the account for Northern's allocation of commitment fees. The Company stated that, *"In January of each year, Unitil trues-up the previous year's commitment fees to use the final allocation percentage for that year."* Audit confirmed the offset for the commitment fees to account 30-00-08-00-921-01-08, Bank Fees and Commitment Fees – Common. Other entries on the account were for the accrued monthly interest expense, representing Northern's allocation of the monthly interest and offset to account 30-00-08-00-431-00-00, Other Interest Expense – Common. Refer to the Interest Expense section of this report for details regarding the cash pool interest expense.

Audit also identified entries on the account for the Northern allocation of monthly service fees. Audit confirmed that the monthly service fees were offset to account 30-00-08-00-921-01-08, Bank Fees & Commitment Fees – Common. Refer to the Operations and Maintenance section of this report for testing of the expense accounts.

The Company provided a report containing the interest expense accrued by cash pool affiliates and a report for the disbursements and other adjustments of Unitil Corporation and subsidiaries, as supporting documentation for the Unitil Corporation Cash Pooling and Loan

Agreement’s guidelines for interest charges and the commitment and services fees. Audit tied the journal entry samples for the interest expense and the commitment and service fees, to the accrued interest expense report, as well as the disbursements and other adjustments report. No exceptions were noted.

A 1/31/20 credit entry in the amount of \$(892,278) was reviewed by Audit. The Company explained that the entry was “*to record funding for payments made out of the control disbursement account.*” Audit reviewed the detailed journal entry, as well as the January 2020 report for the disbursements and other adjustments, verifying the internal bank transfer of \$892,278 to the control disbursement cash account 30-00-00-00-131-20-00.

There was a \$(2,031,320) credit entry recorded on 11/20/20 for the payment posting for accounts payable. The Company clarified that the payment was for a USC bill to Northern for the month of October. Audit reviewed the supporting invoice from USC. Services billed were for corporate, administrative, customer, energy, engineering, and accounting. Offsetting entries were confirmed to several accounts including #908, Customer Assistance Expenses, account #923, Outside Services Employed, and account #880, Other Expenses. Refer to the Operations and Maintenance section of this report for testing of the expense accounts.

Audit noted monthly debits on the account described as the “sweeps from receiving account to UCORP.” The Company explained that the sweeps from the receiving account are from Northern’s remittance account where payments are received from customers and the “*dollars are ‘swept’ to the cash pool account to reduce the amount outstanding.*” Audit reviewed an 8/31/20 debit entry totaling \$6,170,000 for the sweep from the receiving account and verified the offsetting entry to the cash remittance account #30-00-00-00-131-00-00.

Accounts Payable to Associated Companies – Account 234 \$(7,400,409)

The test-year 2020 general ledger for account 234 reported a year-end balance of \$(7,400,409), which tied to the annual report and to the filing schedule RevReq-4-2. The figure has increased, by \$(903,231) or 13%, from the 2019 year-end balance of (\$6,497,178).

There were five accounts included in the Accounts Payable to Associated Companies balance of \$(7,400,409). The following represents the 2020 year-end general ledger balances that comprised the aggregate amount for the NU-Common accounts 234:

30-00-00-00-234-01-02	A/P Associated Companies-Flexi Only USC	\$	(9,109)
30-00-00-00-234-01-05	A/P Associated Companies-Service Bill		(2,216,742)
30-00-00-00-234-01-12	A/P Associated Companies - USC		(12,550)
30-00-00-00-234-01-15	A/P Associated Companies - UC		(4,615,831)
30-00-00-00-234-01-33	A/P Associated Companies - GSG		<u>(546,177)</u>
	234 Total A/P to Associated Companies	\$	(7,400,409)

A/P Associated Companies-Flexi Only USC – 30-00-00-00-234-01-02 \$(9,109)

The general ledger for the account was reviewed by Audit. Daily credit transactions were booked to settle any intercompany activity through Unitil Service Corp. The Company further explained the transactions in the following statement:

“The activity in this account includes journal entry activity between subsidiaries, convenience payments made by USC on behalf of [NU], and payments to USC to settle the intercompany activity on a periodic basis. Convenience payments are when a vendor is to receive payments from multiple subsidiaries, instead of sending payment from each sub, USC will make one payment on behalf of all the subs; an example would be liability insurance that is charged to all subsidiaries, USC makes a payment to the insurance company for all amounts owed by the subs, and then the subs reimburse USC as part of this payment.”

Audit noted credit entries on the account for “vender bill backs” and the Company explained that “*Vendor Bill Backs are convenience payments by USC on behalf of the other companies. The balances are settled monthly.*” Offsetting entries were confirmed to account 30-00-00-00-233-00-00, Note Payable – Cash Pool. Refer to the Operations and Maintenance section of this report for testing of the expense accounts.

A/P Associated Companies-Service Bill – #30-00-00-00-234-01-05 \$(2,216,742)

Audit reviewed the transactions on the account. Monthly credits were booked for service billing and the entries cleared the account in the following month.

A credit entry recorded on 12/31/20, in the amount of \$(2,216,743), was reviewed by Audit and tied to the year-end balance on the account, noting that the clearing debit entry would post in January 2021. The Company explained that the journal entry is a “[...]multi-step process of recording the amount borrowed from the cash pool for Northern’s monthly USC bill.” Audit reviewed the January 2021 detailed journal entry for the December 2020 transaction of \$(2,216,743), verifying that the amount cleared through the cash pool account, #233. No exceptions were noted.

The Company provided a copy of the service invoice for the \$2,216,743 December credit entry. The total amount of the invoice was separated by the detail of charges for the following categories: Corporate and Administration; Customer Services; Energy Services; Engineering and Operations; Regulatory, Finance, and Accounting; and Technology. The invoice detail also included the hours billed for each category and corresponding amount, as well as the labor and overhead charges comprising the amounts charged per category. There was also a direct charge of \$49,182 included in the total invoice. The direct charge was for data management hardware leases and maintenance costs, plus expense reports. Audit confirmed the expense account numbers charged for their appropriate portion of the total bill amount. Refer to the Operations and Maintenance section of this report for testing of the expense accounts.

A/P Associated Companies-USC – #30-00-00-00-234-01-12 \$(12,550)

The general ledger for the account was reviewed by Audit. Transactions for the “USC Under-Collection” were recorded at month end and reversed on the first day of the following month. Audit noted that there was no end of July credit and reversing August debit entry posted. The Company confirmed that, “*there was not any intercompany activity during that timeframe.*”

A credit entry recorded on 12/31/20, in the amount of \$(12,550) was reviewed by Audit and tied to the year-end balance on the account. Audit confirmed the posting of the January 2021 reversing entry to a copy of the detailed journal entry provided by the Company. No exceptions were noted.

A/P Associated Companies-UC – #30-00-00-00-234-01-15 \$(4,615,831)

Audit reviewed the general ledger for the A/P Associated Companies-UC account. Entries were recorded were for miscellaneous tax adjustments related to the reconciliation of deferred tax accounts. The Company clarified that, “*As Unitil files a single tax return through Unitil Corp, the tax activity flows up to Unitil Corp through this account.*” The corresponding reversal entries for the miscellaneous tax adjustments were verified on the account with no exceptions noted. Audit reviewed the Unitil Cost Allocation Manual (CAM), confirming that page 14 of the CAM specifies that Unitil Corporation provides intercompany services for a tax sharing agreement with its affiliates.

Audit reviewed an adjustment entry for \$(707,553), made on 6/30/20, for the prior taxes transfer to UC From GSG. The Company verified that the entry was because “*we incorrectly used a NU account as well as getting the due to/due from accounts backwards.*” Audit reviewed the detailed journal entry, verifying that the posting to the account was for the correction. Refer to the Taxes section of the report for more details regarding the deferred taxes.

A/P Associated Companies-GSG – #30-00-00-00-234-01-33 \$(546,177)

The general ledger for the account was reviewed by Audit. Credit transactions were booked to record the monthly activity units for the Granite State Gas bill prepared for NU. Audit verified that the corresponding reversing debit entries posted during the following month. A credit entry recorded on 12/31/20, in the amount of \$(546,177) was reviewed and tied to the year-end balance on the account. No exceptions were noted.

Customer Deposits – Account #235 \$(592,302)

The annual report listed the total Customer Deposits amount of \$(592,302) and Audit verified this amount to the filing schedule RevReq-4-2. Audit tied the customer deposit aggregate total to four accounts on the general ledger. Two of the accounts were for NU-NH and two of the accounts were for NU-ME. Refer to the Revenue section of this report for further details.

Taxes Accrued – Account #236 \$(63,034)

Schedule RevReq-4-2 of the filing reflects an aggregate amount of \$(63,034) for the accrued taxes accounts, #236. The total amount was verified to the annual report, as well as to eight general ledger accounts between NH and ME, including Federal and State Unemployment Taxes, State BET, FICA taxes, and Accrued Property Taxes. Refer to the Tax portion of this report for additional detail regarding activity within the Taxes Accrued account.

Interest Accrued – Account #237 \$(2,094,467)

The test-year 2020 general ledger for account #237 reported a year-end balance of \$(2,094,467), which tied to the annual report and to the filing schedule RevReq-4-2. The figure has increased by 15 percent from the 2019 year-end balance of (\$1,824,919). The following two NU-Common accounts represent the general ledger balances that comprised the Interest Accrued, as of 12/31/2020:

30-00-00-00-237-06-00	Interest Funded Debt	\$	(2,074,331)
30-00-00-00-237-07-00	Accrued Interest – Funds Pool		<u>(20,136)</u>
	Account 237 Total Interest Accrued	\$	<u>(2,094,467)</u>

The general ledger for account 30-00-00-00-237-06-00, Interest Funded Debt, was reviewed by Audit. There were twelve monthly credits on the account to record the accrued interest on the funded debt, with offsetting entries verified to account 30-00-08-00-427-00-00, Interest on Long-Term Debt – Common. Audit confirmed the entries to the amortization schedule detailing the monthly accrued interest amount on the long-term debt. Refer to the Debt section of this report for details regarding the interest rate and total interest for the test-year 2020, per individual debt obligation.

Debits on the account were described as vouchers and were for the interest payments due. Audit verified the debit entries to the amortization schedule for accrued interest on the long-term debt, which depicted both the monthly accrued interest and the interest paid. Copies of invoices from Thrivent Financial for Lutherans, Mutual of Omaha Insurance Company, and Mac & Co., were also reviewed for the interest due and confirmed to sampled journal entries on the account. Refer to the Interest Expense section for further details regarding the interest due.

Audit reviewed the general ledger for account 30-00-00-00-237-07-00, Accrued Interest – Funds Pool and noted entries posted for the monthly accrued interest expense in the cash pool. There were twelve end-of-the-month credit entries for the monthly accrued cash pool interest and the reversing entry was recorded on the 1st of the following month. Offsetting entries were verified to account 30-00-08-00-431-00-00, Other Interest Expense – Common.

The Company provided schedules detailing the monthly interest expense accrued by pool affiliates for the cash pool, as well as the algorithm used for the calculation. Audit verified the calculated monthly accrued cash pool interest to sampled journal entries on the general ledger from each quarter of the test-year 2020. Refer to the Interest Expense section of this report for other details regarding the accrued interest expense.

There was a 1/1/2020 debit reversal entry in the amount of \$46,995 on the account. Audit requested and reviewed the detailed journal entry for the 12/31/2019 accrued cash pool interest credit amount of \$(46,995).

The 12/31/2020 balance on the account of \$(20,136) was for the December accrued cash pool interest credit amount of \$(20,136). Audit verified the January 2021 journal entry for the reversing debit of \$20,136. No exceptions were noted.

Dividends Declared-Common – Account #30-00-00-00-238-02-00 \$(3,666,585)

Audit tied the Dividends Declared on the annual report to the filing schedule RevReq-4-2. The general ledger for the account was reviewed and Audit confirmed the year-end balance of \$(3,666,585), which tied to the quarterly entries made on account #30-00-08-00-438-00-00, Dividends Declared Common Stock. No exceptions were noted. Refer to the Retained Earnings section of the report for details regarding dividends declared.

Tax Collections Payable – Account #241 \$(174,522)

The annual report amount of \$(174,522) for the 2020 Tax Collections Payable was tied to schedule RevReq-4-2 of the filing. Audit reviewed the general ledger, verifying that there were seven general ledger accounts that comprised the Tax Collections Payable total balance. Of the seven Tax Collections Payable accounts, four of them were for NU-Common, two of them were for NU-ME, and one of them was for NU-NH, summarized below:

NU-Common	\$ (33,532)
NU-NH	\$(750,955)
NU-ME	<u>\$ 609,964</u>
Total account 241	\$(174,522)

Entries recorded on the accounts were for the employee state, federal, and FICA withholding taxes, and taxes related to a Canadian sales tax. Refer to the Payroll and Taxes sections of this report for further details regarding the taxes.

Miscellaneous Current and Accrued Liabilities – Account #242 \$(9,024,630)

The filing schedule RevReq-4-2 reflected a total of \$(9,024,630) for the Other Current and Accrued Liabilities. Audit verified the figure to the annual report, as well as to the following 24 general ledger accounts that maintained a year-end balance:

Account	NH-40	ME-50	Common	Total
30-00-00-00-232-69-99 Monthly Gas Cost Accruals	\$ -0-	\$ -0-	\$ (7,055,887)	\$(7,055,887)
30-xx-00-00-242-00-00 Misc. Accrued Liabilities	(5,482)	(4,636)	-0-	(10,118)
30-xx-00-00-242-03-20 Accrued Health Insurance (<i>Payroll</i> section)	(53,100)	(72,400)	-0-	(125,500)
30-xx-00-00-242-03-25 Accrued Dental Insurance (<i>Payroll</i> section)	(8,000)	(9,300)	-0-	(17,300)
30-00-00-00-242-05-11 Accrued Legal Misc. Flow Through/BS	-0-	-0-	(26,678)	(26,678)
30-xx-00-00-242-06-00 FAS 158 Adj Serp Current (<i>Payroll</i> section)	(86,833)	(100,307)	-0-	(187,140)
30-xx-00-00-242-26-00 Accrued Incentive Compensation (<i>Payroll</i> section)	(58,992)	(73,615)	-0-	(132,607)
30-xx-00-00-242-30-00 Accrued Vacation (<i>Payroll</i> section)	(104,250)	(93,747)	-0-	(197,997)
30-xx-00-00-242-31-10 Insurance Claims Reserve	(6,700)	(5,599)	-0-	(12,299)
30-00-00-00-242-32-00 A/P Accrual (<i>Operations and Maint.</i> section)	-0-	-0-	(75,000)	(75,000)
30-00-00-00-242-32-10 A/P Accrual – BS (<i>Operations and Maint.</i> section)	-0-	-0-	(449,092)	(449,092)
30-40-00-00-242-33-00 Unearned Revenue UNH Contract (<i>Revenue</i> section)	(76,831)	-0-	-0-	(76,831)
30-00-00-00-242-34-00 Accrued Postage (<i>Operations and Maint.</i> section)	-0-	-0-	(30,000)	(30,000)
30-xx-00-00-242-37-00 Current ERC Liabilities	(84,800)	(189,100)	-0-	(273,900)
30-xx-00-00-242-90-00 Regulatory Liabilities Current (<i>Revenue</i> section)	<u>(326,439)</u>	<u>(27,842)</u>	<u>-0-</u>	<u>(354,281)</u>
Rounded Total Misc. Current and Accrued Liab.	\$ (811,427)	\$ (576,546)	\$ (7,636,657)	<u>\$ (9,024,630)</u>

Audit noted that in addition to the 24 general ledger accounts above, there were also 12 #242 accounts that reflected a year-end balance of \$0. The following are the 12 accounts for NH, ME, and Common, that reflected a year-end balance of \$0:

30-40-00-00-242-04-01 Accrued Legal Local – NH	-0-
30-50-00-00-242-04-01 Accrued Legal Local – ME	-0-
30-40-00-00-242-04-02 Accrued Legal Corp – NH	-0-
30-50-00-00-242-04-02 Accrued Legal Corp –ME	-0-
30-40-00-00-242-04-04 Accrued Legal Regulatory – NH	-0-
30-50-00-00-242-04-04 Accrued Legal Regulatory – ME	-0-
30-40-00-00-242-04-08 Accrued Legal Claims and Litigation – NH	-0-
30-50-00-00-242-04-08 Accrued Legal Claims and Litigation – ME	-0-
30-00-00-00-242-08-00 Accrued Audit Fees (see <i>Operations and Main.</i> section)	-0-
30-40-00-00-242-90-11 ATV Reconciliation Accrual – NH-Peak	-0-
30-50-00-00-242-90-15 ATV Reconciliation Accrual – ME-Peak	-0-
30-50-00-00-242-90-45 ATV Reconciliation Accrual – ME-Off Peak	-0-

Audit reviewed the general ledger for the #242 accounts with a year-end balance of \$0 and confirmed that there was journal entry activity on each of the accounts for the 2020 test-year. Journal entries on the various legal accounts (e.g., Local, Corp, Regulatory and Claims and Litigation) are for monthly accruals. Account #30-40-00-00-242-04-01 Accrued Legal – Local-NH reported monthly credit entries of \$125 for the local legal fee accruals. Audit verified the offsetting debit entries were booked to account #30-40-80-00-923-00-00, OS Legal – Local-NH-DOC-Only. There were four quarterly debit entries for the adjustment of the legal accruals. Refer to the *Operations and Maintenance* section of this report for testing of expense accounts.

Monthly entries on account 30-40-00-00-242-04-02, Accrued Legal Corp – NH, were for the accrued legal fees. Audit noted twelve credits of \$64 posted to the account. Offsetting entries were verified to account #30-40-08-00-923-00-01, OS Legal Corp – NH. Refer to the *Operations and Maintenance* section of this report for testing of expense accounts.

Audit reviewed the general ledger for account 30-40-00-00-242-04-04, Accrued Legal Regulatory – NH. There were twelve monthly credits of \$1,667 for the accrual of legal fees, as well as four quarterly debits for the adjustment of the accruals. Audit verified the offsetting entries were made to account #30-40-01-00-928-03-00, Regulatory Commission Expense Legal – NH. Refer to the Operations and Maintenance section of this report for testing of expense accounts.

Account 30-40-00-00-242-04-08, Accrued Legal Claims and Litigation – NH was reviewed by Audit. Monthly credit entries of \$7,084 were made for legal accruals. Offsetting debit entries were verified to account 30-40-15-00-923-00-00, OS Legal Claims and Litigations. Audit noted a June entry in the amount of \$50,000 to Central Mutual Insurance Company for the settlement of damages. A copy of the invoice and the General Release document were reviewed by Audit, verifying the amount. Refer to the Operations and Maintenance section of this report for the detailed testing of expense accounts.

Audit reviewed the general ledger activity for account 30-00-00-00-242-08-00, Accrued Audit Fees. Monthly credits totaling \$(33,578) were recorded for the audit expense accruals. Refer to the Operations and Maintenance section of this report for account activity details.

Entries on account 30-40-00-00-242-90-11, ATV Reconciliation Accrual – NH-Peak, are for the Adjusted Target Volume (ATV) reconciliation and they are reviewed annually as part of the Cost of Gas audit. The Company stated that the ATV reconciliation *“is performed twice a year (once for the peak period and once for the off-peak period). The reconciliation is between the Company and third-party marketers. The ATV process reconciles the actual gas delivered vs. the amounts initially nominated by the third-party marketers (for customers who procure supply via a third-party marketer).”* The Company further explained that it records a semi-annual unit true-up for the ATV reconciliation, which is based on Sundry billings provided by Energy Contracts. The semi-annual true-up is done for both Peak and Off-Peak periods.

Audit reviewed the journal entry report, which detailed the peak charges, accruals and off-peak season accrual reconciliation, for the ATV true-up between the period of 11/19-4/20. The corresponding final ATV reconciliation for the peak season was also reviewed. Journal entries on the account were tied to the reconciliation report with no exceptions. Audit confirmed that the offsetting entries were recorded to account 30-49-13-11-804-04-01, ATV Recon Charges – Peak-NH. Refer to the annual Cost of Gas audit for a more detailed review of the ATV accounts.

30-00-00-00-232-69-99 Monthly Gas Cost Accruals \$(7,055,887)

Audit acknowledges that FERC identifies account #232 as Accounts Payable. Audit also noted that the Company identified the Monthly Gas Cost Accruals as account #232 and included the balance within the total for the Miscellaneous Current and Accrued Liabilities, account #242. The Company explained: *“The Monthly Gas Cost Accrual amount was included in [the Miscellaneous] Current and Accrued Liabilities due to the fact that since no actual invoices had been received, these costs were accrued for, and thus reflected within an accrual line item within the annual report and filing.”*

The general ledger for the NU-Common account was reviewed by Audit. Entries were recorded for the monthly accrual of gas expenses related to purchasing the commodity and demand expenses associated with storage and transportation. Audit verified that amounts owed are recorded as accrued at the end of each month, for the estimated commodity and demand costs, and reversed on the 1st of the following month. Audit tied the \$(7,055,887) year-end balance on the account to two December 31st credit entries, in the amount of \$(2,895,127) and \$(4,160,760). The January 2021 reversal entries, for the two December accrual amounts, were confirmed by Audit through review of the detailed journal entries provided by the Company. No exceptions were noted.

A 9/30/20 credit entry in the amount of \$(803,770) was reviewed by Audit. The Company provided reports detailing the supporting supply estimates and the variable commodity allocation factors, for both the NH and ME portions, in support of the off-peak estimates for the transportation variable and supply purchases commodity expense total of \$803,770. Audit recalculated the variable commodity percentages and confirmed the offsetting entries, for both the NH and ME allocated amounts, to account #804, Operation Expenses. Refer to the annual Cost of Gas audit for more detail.

Miscellaneous Accrued Liabilities – Account #30-XX-00-00-242-00-00 \$(10,118)

Audit reviewed the general ledger for the Miscellaneous Accrued Liabilities balance of \$(10,118). The following general ledger accounts represent the amounts that were allocated to NH and ME:

30-40-00-00-242-00-00	Miscellaneous Accrued Liabilities – NH	\$ (5,482)
30-50-00-00-242-00-00	Miscellaneous Accrued Liabilities – ME	<u>(4,636)</u>
	Total Miscellaneous Accrued Liabilities	\$ (10,118)

The general ledger for account 30-40-00-00-242-00-00, Miscellaneous Accrued Liabilities – NH, was reviewed by Audit. Transactions on the account were accrual entries for CIGNA premiums, vision service plan (VSP) premiums, and Lincoln Financial premiums. The Company explained: *“Lincoln Financial replaced CIGNA in 2020 to cover employee life, long-term disability, and ADD insurances...and additionally, the CIGNA and VSP accruals are in a different account than the health insurance accrual as the expenses are tracked in separate accounts. The CIGNA premiums are for employee life, long-term disability, and ADD insurances. The VSP premiums are for vision premiums.”* Audit verified that the offsetting entries for the Cigna, VSP, and Lincoln Financial premiums were made to account #926, Employee Pensions and Benefits.

Accounts 30-XX-00-00-242-03-20, Accrued Health Ins (NH and ME) and accounts 30-XX-00-00-242-03-25, Accrued Dental Insurance (NH and ME), reported year-end balances of \$(125,500) for the NH and ME combined Accrued Health Insurance and \$(17,300) for the NH and ME combined Accrued Dental Insurance. Monthly transactions on the accounts were for health and dental insurance accruals, as well as payments recorded to the insurance companies. Refer to the Payroll and Operations and Maintenance sections of this report for details on insurance accruals.

Audit reviewed the general ledger activity for account #30-00-00-00-242-05-11, Accrued Legal Miscellaneous Flow-Through or Balance Sheet. The year-end balance on the account was \$(26,678). There were only four entries recorded for the adjustments to legal accruals. Copies of the detailed journal entries were reviewed by Audit, as well as the Unitil Corporation’s Master Allocation report for the year 2019 and test-year 2020. Audit recalculated the NU allocation amount for the adjustments to legal accruals that were booked to the general ledger and confirmed that the entries auto-reversed. No exceptions were noted.

The general ledger for account 30-40-00-00-242-06-00, FAS 158, Adj Serp Current-NH and account 30-50-00-00-242-06-00, FAS 158 Adj Serp Current-ME reported year-end balances of \$(86,833) and \$(100,307), respectively. Quarterly entries for the NU portion of the pension benefits and Post-retirement Benefits other than Pension (PBOP) were booked on the last day of the quarter and reversed on the first day of the following month. Refer to the Payroll section of this report for further details.

Accounts 30-XX-00-00-242-26-00, Accrued Incentive Compensation (NH and ME) and accounts 30-XX-00-00-242-30-00, Accrued Vacation (NH and ME), reported year-end balances of \$(132,607) for the NH and ME combined Accrued Incentive Compensation and \$(197,997) for the NH and ME combined Accrued Vacation. Credits on the accounts were for compensation and vacation accruals. Refer to the Payroll section of this report for details.

Insurance Claims Reserve – Account #30-XX-00-00-242-31-10 \$(12,299)

Audit reviewed the general ledger for the Insurance Claims Reserve balance of \$(12,299), which was verified to the following general ledger accounts:

30-40-00-00-242-31-10 Insurance Claims Reserve – NH	\$ (6,700)
30-50-00-00-242-31-10 Insurance Claims Reserve – ME	<u>(5,599)</u>
Total Insurance Claims Reserve	\$ (12,299)

Account 30-40-00-00-242-31-10, Insurance Claims Reserve – NH had a beginning balance and year-end balance that totaled \$(6,700). Audit confirmed with the Company that the Insurance Claims account is setup to accrue *“for any claims that occur for damage done by Unitil or its contractors during the normal course of business.”* The test-year activity reported debit entries for \$16,250 and credit entries for \$(16,250). There were twelve monthly credit entries on account, each in the amount of \$(1,250), for insurance claims accruals. The Company confirmed that the insurance claims accruals are *“standard monthly accrual [entries], typically based on the annual budget for this account. The accruals are trued up quarterly.”* Audit verified that the offsetting entries for the monthly accruals were booked to account 30-40-08-00-925-02-02, General Liability Claims. Refer to the Operations and Maintenance section of this report for testing of expense accounts.

Audit noted a debit entry recorded on 3/31/20 in the amount of \$3,146 for an adjustment to the insurance claims reserve amount. The Company provided a March 2020 report for the quarterly analysis of the insurance claims reserve, explaining that, *“The claims detail is updated once a year; the interim quarters are then adjusted to a 6-month claim average.”* Audit reviewed the calculation for the unadjusted versus the adjusted quarterly amounts and verified

the NH portion of the adjustment amount with no exceptions noted. Audit confirmed the offsetting entry was recorded to account 30-40-08-00-925-02-02, General Liability Claims. Refer to the Operations and Maintenance section of this report for testing of expense accounts.

Refer to the Operations and Maintenance section of this report for details regarding two of the following three accounts:

- 30-00-00-00-242-32-00, A/P Accrual \$(75,000) This NU-Common account activity for 2020 reflected a beginning balance of \$(50,600) and one year-end entry for \$(24,400). The entry was offset to the NU-Common Miscellaneous Expense account 30-00-10-00-931-31-00.
- 30-00-00-00-242-32-10, A/P Accrual – BS \$(449,092) This NU-Common account had no activity during the test year.
- 30-00-00-00-242-34-00, Accrued Postage \$(30,000) This NU-Common account reflected credit accruals and debit expense accruals monthly. The activity during the year was \$465,000 debits and credits, ending the year with the same beginning balance of \$(30,000). Audit reviewed one July 2020 entry that credited the account for \$(30,000) and was offset with a debit to account 30-40-21-00-903-04-00 Postage-NH for \$30,000.

Account 30-40-00-00-242-33-00, Unearned Revenue – UNH Contract NH, reported twelve monthly debits on the account for the amortization of the UNH contract revenue. Refer to the Revenue section of this report for further details regarding the transactions on the account.

Current ERC Liabilities – Account #30-XX-00-00-242-37-00 \$(273,900)

Audit reviewed the general ledger for the current ERC liabilities balance of \$(273,900). The following general ledger accounts represent the amounts that were allocated to NH and ME:

30-40-00-00-242-37-00	Current ERC Liabilities – NH	\$ (84,800)
30-50-00-00-242-37-00	Current ERC Liabilities – ME	<u>(189,100)</u>
	Total Current ERC Liabilities	\$ (273,900)

The general ledger for account 30-40-00-00-242-37-00, Current ERC Liabilities – NH, was reviewed by Audit. Transactions on the account for the Environmental Remediation Costs (ERC) are audited as part of the annual Environmental audit. Audit reviewed the supporting detail for a 3/31/20 journal entry, in the amount of \$304,420. The journal entry was tied to the March 2020 Environmental Contingency Analysis report which included the vendor estimates for the first quarter of 2020. Refer to the annual Environmental audit for a more detailed review of the ERC account.

Regulatory Liabilities Current – Account #30-XX-00-00-242-90-00 \$(354,281)

The general ledger for the current regulatory liabilities was reviewed by Audit. The following general ledger accounts represent the amounts that were allocated to NH and ME:

30-40-00-00-242-90-00	Regulatory Liabilities Current – NH	\$ (326,439)
30-50-00-00-242-90-00	Regulatory Liabilities Current – ME	<u>(27,842)</u>
	Total Regulatory Liabilities Current	\$ (354,281)

The activity within account 30-40-00-00-242-90-00, Regulatory Liabilities Current – NH was reviewed by Audit. Entries were recorded as the direct offset to account 30-40-00-00-173-90-00, Accrued Revenue – Credit Balance Re-Class NH. Refer to the Revenue section of this report for further details regarding the interaction between the 173 and 242 accounts.

Interest Expense \$4,778,441

The 2020 total Interest Expense of \$4,778,441 was confirmed to both the annual report and the workpaper income statement Schedule 4 of the filing. The following general ledger accounts represent the New Hampshire Interest Expense for the test-year:

30-40-08-00-427-00-00	Interest on Long-Term Debt	\$ 4,732,474
30-40-08-00-428-00-00	Amortization of Debt Expense – NH	\$ 32,525
30-40-08-00-430-00-00	Interest on Debt to Associated Companies – NH	\$ 58,794
30-4x-xx-xx-431-xx-xx	Other Interest Expense	\$ 225,147
30-40-10-00-432-00-00	AFUDC-Borrowed Funds (<i>see Utility Plant Section</i>)	\$ (270,499)
	Total Interest Expense	<u>\$ 4,778,441</u>

Interest on Long-Term Debt – Account #30-40-08-00-427-00-00 \$4,732,474

The Long-Term Debt schedule on the annual report, page 23, reported the aggregate interest for the 2020 test-year as \$10,199,297. Audit reviewed the general ledger, noting that the following year-end balances represent the interest on long-term debt that was allocated between the NH, ME, and Common accounts:

30-00-08-00-427-00-00	Interest on LT Debt – Common	\$ -0-
30-40-08-00-427-00-00	Interest on LT Debt – NH	4,732,474
30-50-08-00-427-00-00	Interest on LT Debt – ME	5,466,823
	Total Interest on LT Debt	<u>\$ 10,199,297</u>

Audit reviewed the general ledger for account 30-00-08-00-427-00-00, Interest on LT Debt – Common, as well as the interest calculation and interest payment schedule for each of the debt obligations. Monthly credit entries were recorded to offset the original pool amount for the long-term debt interest, with corresponding debit entries for the allocated portion to the NU-NH and NU-ME accounts. Audit recalculated the interest amount and verified the NH and ME allocation amounts, from the NU-Common account, to the NU-NH and NU-ME accounts without exception.

The general ledger activity within the account 30-40-08-00-427-00-00, Interest on LT Debt-NH was reviewed by Audit and the year-end balance was verified to the annual report. Audit also confirmed the year-end balance to the total of the monthly debit entries for the NH portion of the interest on long-term debt and tied the journal entries to the amortization schedule provided by the Company. Audit recalculated the NH portion of the split for the original interest on the long-term debt amount and confirmed the entries to the general ledger. Offsetting credit entries were verified to account 30-00-00-00-237-06-00, Interest Funded Debt, described above.

Amortization of Debt Expense NH – Account #30-40-08-00-428-00-00 \$32,525

The statement of cash flows within the annual report listed the aggregate debt discount amount of \$70,097 for the 2020 test-year. Audit reviewed the general ledger, noting that the following year-end balances represent the amortization of debt expense allocated between the NH and ME accounts:

30-40-08-00-428-00-00 Amortization of Debt Expense – NH	\$ 32,525
30-50-08-00-428-00-00 Amortization of Debt Expense – ME	<u>37,572</u>
Total Debt Discount	\$ 70,097

Audit reviewed the general ledger for account #30-40-08-00-428-00-00, Amortization of Debt Expense – NH. There were 12 monthly debit entries recorded during the test-year that totaled \$32,525 for the NH portion of the amortization of debt expense. Audit reviewed the amortization schedule for the aggregate debt expense totaling \$70,097. Debit transactions for the NH portion of the debt expense were tied to the amortization schedule and Audit noted the straight line method used in the calculation of the amortization. Offsetting credit entries for the combined NH and ME monthly allocated amounts were verified to the NU-Common account #30-00-00-00-181-02-00, Unamortized Debt Expense, without exception. Refer to the Debt and Unamortized Debt Expense sections of this report for details regarding each of the promissory notes.

Interest on Debt to Associated Companies – Account 30-40-08-00-430-00-00 \$58,794

The annual report listed the total of \$58,794 for the Interest on Debt to Associated Companies. Audit verified the amount to the year-end balance for general ledger account 30-40-08-00-430-00-00, Interest Expense Associated Companies – NH. There were twelve monthly debit transactions on the account for the interest expense. Audit tied the journal entries for the interest expense to the monthly interest expense schedules provided by the Company. Offsetting credit entries were verified to account 30-00-00-00-233-00-00, Note Payable – Cash Pool. No exceptions were noted.

Other Interest Expense – Account #431 \$225,147

Audit reviewed the general ledger and noted that Account #431, Other Interest Expense, included the following ten NU-NH accounts:

30-40-08-00-431-00-00 Other Interest Expense-NH	\$ 130,062
30-40-01-10-431-00-00 Demand Commodity Peak – NH (see Cost of Gas Annual Audit)	72,640
30-40-01-13-431-00-00 Working Capital Peak – NH (see Cost of Gas Annual Audit)	1,715
30-40-01-14-431-00-00 Bad Debt-Peak – NH (see Cost of Gas Annual Audit)	988
30-40-01-72-431-10-05 LDAC EEC (see Cost of Gas Annual Audit)	5,947
30-40-01-77-431-00-00 RLIARA NH (see Cost of Gas Annual Audit)	3,179
30-40-01-81-431-00-00 Interest Expense LRA – NH	1,358
30-40-21-00-431-04-00 Interest on Customer Deposits – NH (see <i>Revenue</i> section)	9,258
30-40-01-00-431-00-99 Inv. Finance Charges Peak – NH (see Cost of Gas Annual Audit)	(1,286)
30-49-01-11-431-00-99 Inv. Finance Charges-Peak – NH (see Cost of Gas Annual Audit)	<u>1,286</u>
Total Other Interest Expense	\$ 225,147

Audit reviewed the general ledger activity for account #30-40-08-00-431-00-00, Other Interest Expense – NH, noting a year-end balance of \$130,062. The balance on the account was tied to twelve monthly debits for the allocated amount of the monthly NH portion of the cash pool interest expense that accrues from the short-term borrowings. The offsetting account was confirmed to NU-Common #30-00-00-00-237-07-00, Accrued Interest – Funds Pool. Audit reviewed the detailed journal entries for sampled transactions and recalculated the NH portion of the interest expense. No exceptions were noted. Refer to the *Current and Accrued Liabilities* section of this report for details regarding the Company’s short-term borrowings through a cash pooling and loan agreement between Unitil Corporation and its subsidiaries.

The interest expense accounts for the Demand Commodity Peak, Working Capital Peak, Bad Debt Peak, Local Distribution Adjustment Clause (LDAC), and the Residential Low Income Assistance and Regulatory Assessment (RLIARA) are reviewed annually as part of the Cost of Gas audit. As such, a detailed review was not conducted of these accounts as part of this audit.

Account 30-40-01-81-431-00-00, Interest Expense-LRA – NH, reported a year-end balance of \$1,358. Debit entries on the account were for the interest expense associated with the Lost Revenue (LR) mechanism for the NU-NH division. Offsetting credit entries were verified to account 30-40-00-00-173-81-00, Accrued Revenue-Lost Base Revenue – NH. Audit tied sampled entries to a copy of the Lost Base Revenue Reconciliation Report provided by the Company. No exceptions were noted.

Audit reviewed the general ledger for account 30-40-21-00-431-04-00, Interest on Customer Deposits – NH. The balance of \$9,258 reflected the total amount of interest on customer deposits paid for the NH division during the test-year 2020. Transactions on the account were for the monthly interest accruals and offset to account 30-40-00-00-235-01-00, Customer Deposits Active – NH. Refer to the *Revenue* section of this report for details regarding the calculation of the interest on customer deposits.

The interest expense account 30-40-01-00-431-00-99, Inventory Finance Charges Peak – NH, records “*the over/under collected revenue and corresponding interest for components of the Cost of Gas made for the NH division.*” This account is reviewed annually as part of the winter Cost of Gas audit. A detailed review was not conducted of these accounts as part of this audit.

Deferred Credits

The Annual Report listed a balance of \$(98,039,915) for the test-year 2020 total Deferred Credits. Audit verified the rounded total to filing schedule RevReq-4-2, as well as to the following general ledger accounts:

253	Other Deferred Credits	(40,177,075)
254	Other Regulatory Liabilities	(15,525,863)
281-283	Accumulated Deferred Income Taxes (see <i>Taxes</i> section)	<u>(42,336,977)</u>
	Total Deferred Credits	<u>\$ (98,039,915)</u>

Other Deferred Credits – Account #253 \$(40,177,076)

The annual report listed the Other Deferred Credits aggregate total of \$(40,177,075), which Audit verified to the filing schedule RevReq-4-2. The following general ledger accounts represent the amount of \$(18,639,799) allocated to NU-NH and \$(21,537,277) allocated to NU-ME, for a 2020 year-end total of \$(40,177,075) in Other Deferred Credits:

NH Accounts 30-40-00-00-253-xx-xx

253-03-01	Long-term ERC Costs-NH	\$ (820,000)
253-04-01	FASB 87 Accrued Pension NH (see <i>Payroll</i> and <i>Expense</i> sections)	\$ -
253-04-03	Accrued SFAS 106 Liab-NH (see <i>Payroll</i> and <i>Expense</i> sections)	\$ (3,392,684)
253-04-11	FASB 158 Adj-Pension-NH (see <i>Payroll</i> and <i>Expense</i> sections)	\$ (7,811,813)
253-04-13	FASB 158 Adj-PBOP NH (see <i>Payroll</i> and <i>Expense</i> sections)	\$ (3,943,410)
253-04-14	FASB 158 Adj-SERP NH (see <i>Payroll</i> and <i>Expense</i> sections)	<u>\$ (2,671,892)</u>
	Total NH Other Deferred Credits	\$ (18,639,799)

ME Accounts 30-50-00-00-253-xx-xx

253-03-01	Long-term ERC Costs-ME	\$ (938,900)
253-04-01	FASB 87 Accrued Pension ME (see <i>Payroll</i> and <i>Expense</i> sections)	\$ -
253-04-03	Accrued SFAS 106 Liab-ME (see <i>Payroll</i> and <i>Expense</i> sections)	\$ (3,574,184)
253-04-11	FASB 158 Adj-Pension-ME (see <i>Payroll</i> and <i>Expense</i> sections)	\$ (8,212,175)
253-04-13	FASB 158 Adj-PBOP ME (see <i>Payroll</i> and <i>Expense</i> sections)	\$ (5,725,522)
253-04-14	FASB 158 Adj-SERP ME (see <i>Payroll</i> and <i>Expense</i> sections)	<u>\$ (3,086,496)</u>
	Total ME Other Deferred Credits	\$ (21,537,277)

Total Other Deferred Credits for NH and ME Divisions **\$ (40,177,076)**

Long-Term ERC Costs-NH – Account #30-40-00-00-253-03-01 \$(820,000)

Audit reviewed the general ledger for the NH portion of the long-term environmental remediation Costs (ERC). During the 2020 test-year, there was only one 3/31/20 transaction recorded, in the amount of \$(45,700), for the costs associated with the long-term portion of the Environmental Remediation costs in both New Hampshire. Audit reviewed a copy of the

Environmental Contingency Analysis schedule, detailing the vendor estimates for the first quarter of 2020 and tied the amount to the general ledger. The offsetting entry was verified to account 30-40-00-00-242-37-00, Current ERC Liabilities – NH.

The general ledger account 30-40-00-00-253-04-01, FASB 87 – Accrued Pension NH, and account 30-40-00-00-253-04-03, Accrued SFAS 106 Liability NH, were reviewed by Audit. Entries on the accounts reflected the monthly pension expense and the monthly employee post-retirement benefits other than pension (PBOP) expense, respectively. Refer to the Payroll and Operations and Maintenance Expense sections of this report for additional information including review of the expense offsets.

Audit reviewed the general ledger for the three FAS 158 accounts. Transactions on the accounts were made quarterly, including the true-up for indirect overheads. The Company explained that transactions on the account reflect the pension and PBOP liabilities, for accounts 30-40-00-00-253-04-11, FAS 158 ADJ-Pension – NH and 30-40-00-00-253-04-13, FAS 158 ADJ-PBOP – NH, which represents NU’s funded status of those plans as well as NU’s allocation of USC’s funded status. The SERP liability account 30-40-00-00-253-04-14, FAS 158 ADJ-SERP – NH, is NU’s allocation of USC’s funded status of the SERP. These amounts are based upon the actuarial annual review. Refer to the Payroll and Expense portions of this report for further details including review of the expense offsets.

Other Regulatory Liabilities – Account #254 \$(15,525,863)

The Other Regulatory Liabilities net debit balance of \$(15,525,863) was tied to both the annual report balance sheet and the filing schedule RevReq-4-2. The general ledger was reviewed, and Audit noted that the NH and ME account 30-X0-00-00-254-05-01, Regulatory Liability – ASC 740, reported a net year-end balance of \$(21,057,722). Audit noted that the annual reporting of \$(15,525,863), for the Other Regulatory Liabilities, is the result of including account 283, Accumulated Deferred Income Taxes (ADIT). **Audit Issue #2**

Audit confirmed the Other Regulatory Liabilities total to the sum of the following general ledger accounts:

NH Division

30-40-00-00-254-05-00 Regulatory Liability-FAS 109 Costs – NH	\$ (36,300)
30-40-00-00-254-05-01 Regulatory Liability - ASC 740 – NH	(8,999,336)
30-40-00-00-283-05-01 Accumulated Deferred Income Taxes (ASC 740) Gross-Up	<u>2,427,244</u>
Total NH Annual Report Other Regulatory Liabilities	\$ (6,608,392)

ME Division

30-50-00-00-254-05-01 Regulatory Liability-ASC 740 – ME	\$(12,058,386)
30-50-00-00-254-13-00 Regulatory Liability – Forrest Ave Gain	(242,039)
30-50-00-00-283-05-01 Accumulated Deferred Income Taxes (ASC 740) Gross-Up	<u>3,382,954</u>
Total ME Annual Report Other Regulatory Liabilities	\$ (8,917,470)

Rounded Total Annual Reporting of Other Regulatory Liabilities	<u><u>\$(15,525,863)</u></u>
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Audit reviewed the general ledger for the account 30-40-00-00-254-05-00, Regulatory Liability – FAS 109-Costs-NH and account 30-40-00-00-254-05-01 Regulatory Liability - ASC 740-NH, noting that there was no activity reported for the test-year 2020. Refer to the Taxes section of this report for details regarding the Financial Accounting Standards (FAS) 109 and Accounting Standards Codification (ASC) 740, as well as for further details regarding the Accumulated Deferred Income Taxes.

Audit noted that another 254 account, 30-40-00-00-254-04-00, Regulatory Liability Cost of Removal-NH, reflects a year-end balance of \$(15,836,286), which is included on the annual report as part of the total Accumulated Depreciation. Reclassification entries during the test-year were reviewed and Audit confirmed the offsetting debits to account 30-40-00-00-108-04-00, Accumulated Depreciation Cost of Removal – NH. Audit understands that the Regulatory Liability Cost of Removal (account #254) balance is not reported as a separate component on the annual report and that the balance sheet reflects the total of the Accumulated Depreciation accounts #108, inclusive of the Regulatory Liability Cost of Removal:

30-40-00-00-108-01-00	Accumulated Depreciation Gen Plant Ret-NH	\$ (83,125,801)
30-40-00-00-108-04-00	Accumulated Depreciation Cost of Removal-NH	15,836,286
30-40-00-00-254-04-00	Regulatory Liability-Cost of Removal-NH	(15,836,286)
30-50-00-00-108-01-00	Accumulated Depreciation Gen-ME	<u>(82,080,141)</u>
	Total Annual Report Accumulated Depreciation	\$ (165,205,942)

Refer to the Depreciation section of this report for additional information relating to the Cost of Removal accounts.

REVENUE

Audit verified the total reported 2020 Operating Revenue of \$(66,683,473) per the PUC Annual Report to the “Filing Requirement Schedules and RevReq Schedules CONFIDENTIAL.xlsx” spreadsheet, tab WP FT Detail (workpaper flow-through detail):

	2020 Base	2020 Flowthru	Total
OPERATING REVENUES			
Sales:			
Residential (480)	19,232,153	10,809,182	30,041,335
General Service (481)	10,623,702	11,698,198	22,321,900
Firm Transport Revenues (484, 489) (External Sup)	8,583,266	1,156,548	9,739,814
Sales for Resale (483)	-	1,107,459	1,107,459
Other Sales (495)	(201,864)	2,446,481	2,244,617
Total Sales	38,237,257	27,217,869	65,455,125
Other Operating Revenues:			
Late Charge (487)	36,761	-	36,761
Misc. Service Revenues (488)	852,304	-	852,304
Rent from Property (493 & 457)	218,628	-	218,628
Other Revenues	-	120,656	120,656
Total Other Operating Revenues	1,107,692	120,656	1,228,348
TOTAL OPERATING REVENUES	39,344,949	27,338,525	66,683,473

The \$(66,683,473) was then verified to credit balances on the general ledger:

30-4X-0X-XX-480-XX-0X	Residential-55 accounts	\$(30,041,334.70)
30-4X-0X-XX-481-XX-0X	General-100 accounts	\$(22,321,899.94)
30-4X-0X-XX-489-XX-0X	External Supplier-69 accounts	\$ (9,739,813.60) see #484 below
30-49-13-1X-483-XX-XX	Sales for Resale-5 accounts	\$ (1,107,459.45)
30-4X-0X-XX-495-XX-0X	Accrd/Unblld/Other-17 accts	\$ (2,244,617.36)
	Total Sales	\$(65,455,125.05)
30-40-08-00-487-00-0X	Late Payment Fees-2 accts	\$ (36,760.56)
30-4X-XX-XX-488-0X-0X	Misc. Service Rev-10 accts	\$ (852,303.57)
30-40-10-00-493-00-0X	Rental Income GSG/USC	\$ (218,628.00)
30-40-13-11-484-00-00	Transprtn –Commodity Pk	\$ (120,656.07)
	Total Other Operating Revenues	\$ (1,228,348.20)

Residential Sales-accounts #480 \$(30,041,334.70)

The 2020 revenue, per the PUC Annual report, represents a reduction from the 2019 Residential Sales revenue of 12.97%. 37 of the 55 accounts that sum to \$(10,809,182.14) are correctly identified on the filing as flow through accounts.

General Sales-accounts #481 \$(22,321,899.94)

According to page 28 of the 2020 PUC Annual report, the 2020 revenue represents a decrease of 21.14% from the Combined Small and Large Commercial/Industrial sales revenue booked in 2019. Of the reported 2020 revenue, 70 of the 100 accounts that sum to \$(11,698,198.38) are correctly identified on the filing as flow through.

Sales for Resale-accounts #483 \$(1,107,459.45)

Each of the five accounts for 2020 that sum to the reported \$(1,107,459.45) are Company Managed or Sales for Resale and should be reflected within the Cost of Gas flow through mechanism. The revenue for 2020 shows a decrease of 61.43% from the revenue booked for 2019. 100% of the 2020 revenue was properly identified as flow through.

External Supplier-accounts #489 \$(9,739,813.60)

The 2020 revenue represents a slight decrease of 0.92% from the External Supplier revenue booked in 2019. 26 of the reported 69 accounts that sum to \$(1,156,547.52) are correctly identified as flow through.

Other Sales-accounts #495 \$(2,244,617.36)

On the PUC Annual report, account 495 is combined a total of \$(2,447,803), which is \$(203,186) higher than the general ledger accounts that sum to \$(2,244,617). Audit requested clarification of the Annual report and the general ledger accounts, as account 484 on the Annual Report, Unbilled, reflected a debit balance of \$82,532 (rounded), and Other account 495 reflected \$(2,447,803) (rounded). The Company provided the following details:

	<u>12/31/2020</u>	<u>12/31/2019</u>
30-40-10-00-495-10-00 UNBILLED GAS REVENUE - NH	\$ 294,542.91	\$ (243,791.93)
30-49-10-11-495-00-90 ACCRD REV-DEM-COMM- UNBILLED-PEAK-NH	\$ (217,087.82)	\$ 522,117.25
30-49-10-13-495-00-90 ACCRD REV-WORK CAP-UNBILLED- PEAK-NH	\$ 3,621.82	\$ 4,269.42
30-49-10-14-495-00-90 ACCRD REV-BAD DEBT- UNBILLED- PEAK-NH	\$ 1,453.16	\$ (1,735.39)
PUC Annual Report page 28 line 7	\$ 82,530.07	\$ 280,859.35

	<u>12/31/2020</u>	<u>12/31/2019</u>
30-49-01-79-495-00-00 ACCD REVENUE-RATE RELIEF - NH		\$ (53,962.64)
30-40-08-00-495-50-00 RATE RELIEF - NU NH	\$ 4,788.47	
30-40-10-00-495-00-27 ACCRUED REVENUE - NON DIST BAD DEBT	\$ (97,467.69)	\$ 7,623.00
30-49-01-10-495-00-00 ACCRUED REV-PEAK-DEMAND-NH	\$(2,074,489.31)	\$3,311,695.90
30-49-01-13-495-00-00 ACCRUED REV-WORK CAPITAL-PEAK-NH	\$ (15,203.57)	\$ 39,944.06
30-49-01-14-495-00-00 ACCRUED REV-BAD DEBT-PEAK-NH	\$ 41,597.88	\$ (20,537.03)
30-49-01-72-495-01-02 ACCRUED REVENUE-LDAC-EEC-RESIDENTIAL	\$ (19,735.77)	\$ 11,078.74
30-49-01-72-495-01-06 ACCRUED REVENUE-LDAC-EEC-SMALL C&I	\$ (21,921.18)	\$ 72,591.45
30-49-01-77-495-00-00 ACCRUED REVENUE - RLIARA- NH	\$ (115,868.04)	\$ (115,916.86)
30-49-01-80-495-00-00 ACC REV ON EEBB RESIDENTIAL	\$ 4,053.86	\$ 2,718.00
30-49-01-81-495-00-00 ACCRUED REV-LRA-NH	\$ (15,895.77)	\$ (10,171.35)
30-49-01-82-495-00-00 ACCRUED REVEUNE - OBF - NH - RESIDENTIAL	\$ (5,703.94)	\$ (6,723.43)
30-49-02-80-495-00-01 LOAN PAYBACK-EEBB-RES	\$ (4,053.86)	\$ (2,718.00)
30-49-02-82-495-00-01 OBF LOAN PAYBACK - RESIDENTIAL	\$ (7,248.51)	\$ (1,042.19)
Total Non-unbilled 495 Revenue accounts	\$ (2,327,147.43)	\$ 3,234,579.65
30-49-13-11-484-00-00 TRANSPORTATION CHARGES-COMMODITY-PEAK-NH	\$ (120,654.00)	\$ 311,587.39
PUC Annual Report page 28, line 26	\$ (2,447,801.43)	\$ 3,546,167.04

The detailed general ledger accounts, as sorted, agree with the presentation in the PUC Annual report. The Company noted that the Transportation Charges account 484 is not an unbilled account, and thus is not included on that line of the Annual Report, despite the account number. Audit acknowledges that the PUC Annual report form presents Unbilled Revenue on page 28 as account 484. The FERC Uniform System of Accounts, however, identifies account 484 as Interdepartmental Sales.

Unbilled Revenue Accounts #495 and Balance Sheet #173

The year ending balance in account 30-40-00-00-173-22-00, Unbilled Revenue – Base – NH was \$3,175,081.70. The net change in account 173-22-00 was noted to be a reduction of \$294,542.91. This figure was verified the filing Schedule RevReq-3-2. The monthly offsetting entries were noted in the revenue account 30-40-10-00-495-10-00, Unbilled Gas Revenue-NH. The account balance at year end for 495-10-00 was a debit \$294,542.91, which represented the net income statement change from January 1, 2020 to December 31, 2020.

Audit requested and was provided with the December 2020 and January 2021 calculations of the unbilled revenue. The December 2020 entry was calculated credit of \$(743,484) posted to the Unbilled Gas Revenue-NH account -495, debited to the -173-22 balance sheet account. The January 2021 entry was a calculated credit to the -495 Revenue account of \$(627,804), offset with a debit to the -173 account. Each month's calculation was supported with a spreadsheet summarizing the date and number of days for each of the seventeen monthly billing cycles' meter readings; the cost of gas commodity charges and miscellaneous service revenue less the commodity and demand cost of gas components, the billed therms by rate class, and the number of meters by rate class to determine the calculated base revenue per them and the LDAC revenue per therm; coefficients based on degree day linear regression adjustments applied

to each customer class's calculated actual billed vs. unbilled day resulting in total therms unbilled.

Audit noted the Revenue Adjustments included within the filing:

NO.	DESCRIPTION	CLASSIFICATION	SCHEDULE NO.	AMOUNT
1	Revenue Adjustments			
2	Weather Normalization	Dist Rev	Schedule RevReq-3-1	\$ 1,994,374
3	New Customer Revenue Annualization	Dist Rev	Schedule RevReq-3-2	278,301
4	Residential Low Income	Dist Rev	Schedule RevReq-3-2	264,523
5	Unbilled Revenue	Dist Rev	Schedule RevReq-3-2	294,543
6	Non-Distribution Bad Debt	Dist Rev	Schedule RevReq-3-2	(97,468)
7	Misc. Revenue Adjustment	Dist Rev	Schedule RevReq-3-2	4,788
8	Late Fee Adjustment	Oth Rev	Schedule RevReq-3-2	40,013
9	Billed Accuracy Adjustment	Dist Rev	Schedule RevReq-3-2	367
10	Special Contract Customer Revenue Adjustment	Dist Rev	Schedule RevReq-3-2	17,968
11	Total Revenue Adjustments			\$ 2,797,410

Late Payment Fees \$(36,760.56)

The 2020 and 2019 Late Payment fee totals were verified to the following accounts:

	<u>2020</u>	<u>2019</u>
30-40-08-00-487-00-01 Residential	\$(26,782.56)	\$(56,891.21)
30-40-08-00-487-00-02 Commercial	<u>\$(9,978.00)</u>	<u>\$(19,881.94)</u>
	<u>\$(36,760.56)</u>	<u>\$(76,773.15)</u>

In accordance with Commission Order 26,343, issued on March 31, 2020, Northern stopped assessing Late Payment Fees on accounts with arrearages, and stopped disconnecting customers. The Order was issued in response to the Governor's Executive Order 2020-04 declaring a state of emergency and Emergency Order #3 which "*temporarily prohibited all providers of electric, gas, water, telephone, cable, VOIP, internet, and deliverable fuels service in the state of NH from disconnecting or discontinuing service for non-payment*"...due to the COVID-19 pandemic. Refer to the COVID-19 section of this report for additional information.

Miscellaneous Service Revenue \$(852,303.57)

The Miscellaneous Service Revenue was verified to the following:

	<u>2020</u>	<u>2019</u>
30-40-08-00-488-00-03 Reconnect Fee-NH	\$(312,315.00)	\$(322,131.00)
30-40-08-00-488-00-05 Pool Administration	\$ (1,192.50)	\$ (1,049.00)
30-40-08-00-488-00-06 3 rd Party Billing	\$ (9,186.40)	\$ (7,684.30)
30-40-08-00-488-00-07 Customer Telemetering	\$ (6,569.36)	\$ (7,331.18)
30-47-29-50-488-01-00 Water Heater Rental	\$(169,206.33)	\$(171,530.56)
30-47-29-51-488-01-00 Clean and Check Rev	\$ (7,160.00)	\$ (8,920.00)
30-47-29-52-488-01-00 Conversion Burner Rent	\$ (79,964.35)	\$ (79,706.10)
30-47-29-53-488-01-00 Equip Protection Plan	\$(250,434.07)	\$(260,737.33)
30-47-29-53-488-02-00 Equip Protection Plan	\$ (943.00)	\$ (943.00)
30-47-29-54-488-01-00 Interior Gas Lines Rev Res	<u>\$(15,332.56)</u>	<u>\$(15,722.49)</u>
	<u>\$(852,303.57)</u>	<u>\$(875,754.96)</u>

Audit requested descriptions of each Miscellaneous Service Revenue account, the tariff page on which the language could be located, and for the test year, the number of customers billed for each. The Company provided the following:

- 30-40-08-00-488-00-03 Reconnect Fee-NH applies to establishing or re-establishing service. The revenue details are within the tariff pages 64, 67, 69, 74, 76, 78, 80, 82, and 84. 9,121 service connections were done during the test year.
- 30-40-08-00-488-00-05 Pool Administration represents revenue collected for the cost of systems and personnel associated with administering the retail choice program. Revenue details are in the tariff on pages 139 and 141.
- 30-40-08-00-488-00-06 3rd Party Billing represents the cost of billing system allocated to marketers and/or suppliers for calculating the monthly usage of each supplier customer account. Details within the tariff are on pages 120, 121, and 141.
- 30-40-08-00-488-00-07 Customer Telemetering revenue represents the charge for telemeter installation and monthly maintenance expense. Tariff details are on pages 100 and 101. The number of customers using this service was not provided.
- 30-47-29-50-488-01-00 Water Heater Rental is unregulated and represents revenues collected from customers who rent gas water heaters. Customers are billed monthly. At December 2020, there were 852 participating customers.
- 30-47-29-51-488-01-00 Clean and Check Revenue represents income received from the annual inspection of gas heating equipment on customer premises. This unregulated service was used by 47 customers during the test year.
- 30-47-29-52-488-01-00 Conversion Burner Rent relates to monthly income received from customers choosing to convert oil heating systems to natural gas. This rental program is unregulated, and at December 2020, there were 324 participating customers.
- 30-47-29-53-488-01-00 Equip Protection Plan is an unregulated service plan that insures service and replacement of covered equipment components. The plan is offered to customers who are billed monthly or quarterly. At December 2020, there were 710 participating customers.
- 30-47-29-53-488-02-00 Equip Protection Plan is also an insurance plan offered to customers who are billed annually. At December 2020, there were three customers enrolled in this service plan.
- 30-47-29-54-488-01-00 Interior Gas Lines revenue represents revenue related to the Company's Gas Line Protection Plan. The Company offers NU customers a service plan, for an annual fee, that covers the cost of needed repairs to interior gas pipes at no additional charge. The revenue is unregulated, and there were 387 customers participating in the program as of December 2020.

Rental Income \$(218,628)

Two general ledger accounts comprise the \$(218,628) total of 493 for the test year:

	<u>2020</u>	<u>2019</u>
30-40-08-00-493-00-01, Rental Income – Granite	\$ (14,640.00)	\$ (13,620.00)
30-40-08-00-493-00-03, Rental Income – USC	<u>\$(203,988.00)</u>	<u>\$(187,332.00)</u>
	\$(218,628.00)	\$(200,952.00)

Rent is assessed to the Granite and USC affiliates based on the Cost Allocation Manual's section relating to the Northern facility in Portsmouth. As discussed in the Cost Allocation Manual section of this report, Northern NH owns its office, which is located on West Road in Portsmouth. Northern NH uses 1,542 square feet of office space, 5,627 square feet of the stockroom, and 2,813 square feet of the garage. The total space available is 24,297, of which NU-NH utilizes 66.9%. Northern NH leases the remaining space to GSG and USC Common.

The CAM (pages 264 – 265) identified the rent charges monthly for Granite State Gas to be \$1,220 and for Unil Service Corp. to be \$16,999. Twelve monthly credits of \$1,220 were booked to account 30-40-10-00-493-00-01, Rental Income-GSG during the test year, and twelve monthly credits of \$16,999 were booked to account 30-40-10-00-493-00-03, Rental Income-USC. Appendix K4 outlines the square footage of the facility, and the clearing expense accounts to which the postage, general office supplies, service center expensed and capitalized, telephone services, shared employee benefits, and maintenance are booked then invoiced. The rent is calculated based on the prior year's expense account totals. Audit was provided with the specific accounts and related calculations included in line items of 2020 CAM.

Transportation-Commodity-Peak \$(120,656.07)

The reported flow-through relates to the Cost of Gas and was verified to the general ledger account 30-40-13-11-484-00-00. This account is reviewed annually during the winter cost of gas audits.

Customer Deposits

The 12/31/2020 total Customer Deposits figure per the PUC Annual report is \$(592,301). Audit verified the total to NH \$(249,677) and ME \$(342,624). The filing Schedule RevReq-5 reflects the year-end NH balance of \$(249,677) which was verified to the following general ledger accounts:

	<u>12/31/2020</u>	<u>12/31/2019</u>
30-40-00-00-235-01-00 Customer Deposits Active – NH	\$(249,403.28)	\$(289,171.39)
30-40-00-00-235-09-01 A/P Unclaimed Credit Balance Refunds	<u>\$ (274.17)</u>	<u>\$ (247.42)</u>
	\$(249,677.45)	\$(289,418.81)

Northern provided a detailed listing of 259 customers who had deposits, the year the deposit was requested and received, the accrued interest, and an ending balance. The 2020 year-end balance of \$(249,403.28) in the general ledger agrees with the detailed customer listing. The process for determining when a deposit is required, how it is obtained, how interest accrues on it and is paid, and when the deposit is returned was provided to Audit. To summarize, deposits can be required of commercial and residential customers for reasons outlined in the Puc 1203.03. Waiving of deposits can only be done in compliance with Puc 1203.03, along with the frequency of the billing installment. Interest accrues from the day a payment is applied to a billed deposit and accrues monthly. Interest is posted to the deposit annually in January (or when the account closes). Criteria for a return of the deposit was reviewed for compliance with the Puc 1203.03.

Audit reviewed the deposit listing and recalculated the 2020 interest for each customer. The average rate was noted to be 3.64% for 2020. The Consumer section of the PUC website includes the interest rate to be used for deposits. For the first quarter of 2020, that rate was 4.75%. Beginning in the second quarter of 2020, the rate dropped to 3.25% where it remained for the duration of 2020, and all of 2021.

Customer Refunds-NH

Account 30-40-00-00-232-21-00, Customer Refunds-NH reflected a year-end balance of \$(16,872.23). The account is part of the overall Accounts Payable figure discussed in that section of this report. Audit requested clarification of the account, as the activity in it for 2020 demonstrated:

Beginning Balance	\$ (16,598.25)
Debits	\$ 280,506.05
Credits	<u>\$(280,780.03)</u>
12/31/2020 Balance	\$ (16,872.23)

The Company indicated that the account is for: credit balances of customer receivable account balances who have stopped service and do not have another account to which the credit could be transferred; return of an overpayment on an account; refund of a credit balance resulted from a corrected bill; return of a deposit after a final bill; etc. Checks issued to customers are mailed to the last known address. For those checks that are not cashed, the Company follows the abandoned property laws. See RSA 471-C:8, RSA 471-C:20, C:21, C:25, C:26, C:27, C:33, C:39.

Billing Test

Audit selected twelve customers from the Aged Accounts Receivable listing as of 12/31/2020, for specific individual review of the customer invoices. Invoices were provided with bill dates of November 202 - December 2020 with due dates in January 2021 and included rate classes R-5, R-10, G-41, and G-51. Audit verified that the rates on each invoice complied with the Northern tariff, and the therms multiplied by those rates were recalculated to within \$0.01. The Local Distribution Adjustment Clause rates of \$0.0472 for commercial/industrial customers and \$0.1099 for residential customers were verified to the approved tariff rates in the docket DG 20-154, as were the Cost of Gas rates of \$0.7437 for C&I Low and Medium winter and \$0.7315 for residential R-5 and R-6. Refer to the ninth revised page 85, and eighth revised page 87 of the tariff.

Late fees were not noted on four of the tested invoices that did include past due balances, in compliance with Order 26,343.

Special Contracts and Other Revenue

Account 30-40-80-00-415-73-00 UNH Revenue reflected the following for the test year:

Beginning Balance	\$ -0-
Debits	\$ 183,115.75
Credits	<u>\$(451,760.12)</u>
Ending Balance	\$(268,644.37)

UNH is not a special contract, rather is revenue NU-NH is paid for a maintenance agreement NU-NH has with the school. According to the Company:

“The University of New Hampshire (“UNH”) owns and operates a 3.36-mile gas distribution master meter system with 67 natural gas services and a 12-mile intrastate transmission line. UNH is responsible for operating, maintaining, and constructing these facilities according to 49 CFR §191, 49 CFR §192, 49 CFR §199 & 40, NHAR Chapter PUC 500 NHAR Chapter PUC 800. UNH lacks the expertise to operate, maintain and construct these facilities safely and in compliance with Federal and State codes and therefore contracts with Unitil to provide these services.

The UNH annual maintenance contract runs from 07/01 to 06/30 each year. The annual payment is posted to account 30-40-00-00-242-33-00 Unearned Revenue - UNH Contract – NH, and Northern recognizes the revenue evenly over the subsequent 12 months in account 30-40-80-00-415-73-00 UNH REVENUE.

All expenses related to the UNH work are posted to various 30-40-80-00-416-XX-XX accounts. We also do additional work if requested, outside the maintenance contract. This would include things like construction activities and third-party excavation stand-by. These revenues are also posted to the account 30-40-80-00-415-73-00 UNH REVENUE. I note that these revenues and expenses are all “below the line”. “

Northern indicated that there are two special rate contracts currently in effect. The first contract between Northern and Foss Manufacturing Company, Inc. originally began October 28, 1999. Since then, there have been amendments which became effective on January 11, 2000; March 1, 2005; March 1, 2005; March 1, 2010; and March 1, 2012, which remained in effect through February 28, 2017. A sixth amendment was made as of March 1, 2017 and remains in effect. Audit reviewed the contract and the amendments as well as a spreadsheet which included all rate changes that went into effect in March of each year. The spreadsheet includes the inflation factor, the monthly customer charge, monthly fixed rate for the first 200,000 therms, and volumetric rate per therm for quantities in excess of 200,000 therms. Audit reviewed the rolling spreadsheet details and verified the 2020 rates to the manually calculated December 2020 invoice.

The second special rate contract began August 2, 1999, between Northern and National Gypsum. The contract was amended on October 30, 1999; October 16, 2009; and October 12, 2011. The 2011 amendment extended the contract until November 30, 2016 and allowed it to continue for up to three years unless terminated by either party. A fourth amendment made on July 2, 2019, extended the contract terms through November 30, 2024, and for up to three successive one-year periods, unless terminated by the Customer or the Company, with at least six months written notice. Northern also provided a spreadsheet for this contract which reflected the rates as of December of each year, the inflation rate, customer charge, and a volumetric rate.

Audit verified the customer charge and volumetric rates on the December invoice to the December 2020 rates noted on the spreadsheet.

Account 904 – Provision for Doubtful Accounts

Distribution bad debt for the test year was identified on the Schedule RevReq-3-5 to be \$248,010. Audit verified the figure to 19 specific 30-40-X0-XX-904-0X-XX accounts. There were 11 additional non-distribution accounts summing to \$201,761.53 for the overall annual 2020 total of \$449,850.95 as noted in the PUC Annual report. Audit reviewed the balances in all accounts for year-end 2019 and 2020. The Distribution related accounts reflect an overall reduction of \$32,794 from the 2019 expense total of \$280,883. The Non-distribution accounts increased by \$20,617 over the 2019 total. Refer to the Accounts Receivable section of this report for additional information related to past due accounts.

Operations and Maintenance Expenses

The following accounts sum to the total 2020 Operations and Maintenance (O&M) expense amount of \$39,101,915, as noted within filing Schedule RevReq-2, page 1 of 2. The Schedule also reflects the “Flow-thru” elimination from rate base of those expense accounts that are recovered through different annual mechanisms:

	<u>Total</u>	<u>Flow-thru</u>	<u>Net</u>
Production Expenses accounts 735-813	\$ 23,544,860	\$(23,095,123)	\$ 449,736
Transmission accounts 851-852	\$ 63,829	\$ -0-	\$ 63,829
Distribution accounts 870-894	\$ 3,733,377	\$ -0-	\$ 3,733,377
Customer Accounting accounts 902-904	\$ 2,608,189	\$ (99,544)	\$ 2,508,645
Customer Service accounts 906-910	\$ 2,341,706	\$ (2,268,632)	\$ 73,074
Sales Expense account 913	\$ 69,178	\$ -0-	\$ 69,178
Administrative and General accounts 920-935	\$ 6,740,777	\$ (58,225)	\$ 6,682,552
Total Operations and Maintenance expenses	\$ 39,101,915	\$(25,521,524)	\$13,580,391

Audit verified the overall total to the general ledger and to the Annual Report for 2020.

Production Expenses - \$23,544,860

Audit verified the reported \$23,544,860 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts:

735	ERC Amortization (1 Account)	\$ 398,908
798	Other Exploration (4 Accounts)	\$ (7,197,896)
804	Natural Gas City Gate Purchases (7 Accounts)	\$ 14,954,721
804.1	Liquefied Natural Gas Purchases (2 Accounts)	\$ 11,559,339
806	Exchange Gas (1 Account)	\$ 4,480
807	Purchased Gas Expense (2 Accounts)	\$ 125,362
808.1	Gas Withdrawn for Storage-Debit (6 Accounts)	\$ 3,250,211
813	Other Gas Supply Expenses (1 Account)	\$ 449,736
		<u>\$ 23,544,861</u>

The Revenue Requirements Schedule in the filing show a flow-through total of \$23,095,123, resulting in test year distribution production expenses totaling \$449,736.

30-40-10-00-813-01-00 USC-GAS PRODUCTION OTHER - NH \$449,736.33

Audit notes that the flow-through accounts totaling \$23,095,123 relate to cost of gas. The Audit staff reviews those accounts in the context of the annual cost of gas audits, rather than this rate case audit.

The USC Gas Production account was reviewed and reflected monthly target distribution percentage allocations. The allocations represent the NU-common costs of labor on the USC monthly service bills.

Audit compared the 2020 year-end balance to the 2019 year-end balance of \$447,446 and noted a 1% increase.

Transmission Expenses - \$63,829

Audit verified the reported \$63,829 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts for the test year, and compared the balances to the 2019 year-end.

		2020		2019	Percent Changed
851	System Control and Load Dispatching	\$ 2,476	\$	1,407	76%
852	Communication System Expenses	\$ 61,352	\$	71,302	-14%
		<u>\$ 63,828</u>	\$	<u>72,709</u>	-12%

Audit reviewed the two 851 Dispatch accounts in detail. Activity included Service Bill entries for June and November in both accounts. Audit reviewed the June and November monthly USC billings and verified the activity from the Service bills to the Dispatch and Dispatch Capitalized account with exception.

The Communications System expense account, 30-40-27-00-852-00-00, reflected activity for Verizon Wireless, Consolidated Communication, RingNet, and Direct TV totaling \$61,352. The services provided by these companies include; internet, television service for Dispatch, telephone service lines, and cellular service for gas SCADA modems in the field. No exception was noted.

Distribution Expenses - \$3,733,377

Audit verified the reported \$3,733,377 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts, and compared each with the 2019 year-end balance:

		2020	2019	Percent Changed
870	Operation Supervision and Engineering	\$ 36,694	\$ 35,952	2%
874	Mains and Services Expenses	\$ 732,428	\$ 765,395	-4%
875	Measuring and Regulating Station Expenses - General	\$ 294,249	\$ 258,935	14%
878	Meter and House Regulator Expenses	\$ 976,758	\$ 936,350	4%
879	Customer Installations Expenses	\$ 44,458	\$ 44,050	1%
880	Other Expenses	\$ 1,009,902	\$ 882,358	14%
885	Maintenance Supervision and Engineering	\$ 86,632	\$ 56,408	54%
886	Maintenance of Structures and Improvements	\$ 33,225	\$ 26,148	27%
887	Maintenance of Mains	\$ 80,111	\$ 106,996	-25%
889	Maintenance of Meas. And Reg. Equip.-General	\$ 59,820	\$ 44,703	34%
890	Maintenance of Meas. And Reg. Equip.-Industrial	\$ 4,933	\$ 3,316	49%
891	Maintenance of Meas. And Reg. Equip.-City Gate Check Station	\$ 81,144	\$ 69,333	17%
892	Maintenance of Services	\$ 138,550	\$ 103,432	34%
893	Maintenance of Meters and House Regulators	\$ 24,638	\$ 35,038	-30%
894	Maintenance of Other Equipment	\$ 129,835	\$ 141,034	-8%
		\$ 3,733,377	\$ 3,509,448	6%

870 - Operation Supervision and Engineering \$36,694

Audit reviewed the activity in account 30-40-80-00-870-00-00, Distribution Operation Supervision – NH, totaling \$36,694.33. Activity included transportation allocations, payroll expense and payroll accruals. Refer to the *Operating Leases* portion of this report for additional details regarding the transportation allocations.

874 – Mains and Services Expenses \$732,428

Audit reviewed the fourteen 874 general ledger accounts detail. Activity in the accounts include transportation allocations, payroll expense, payroll accruals, small tools allocations, and vendor payments. Audit selected two vendor payments to review in detail.

The first voucher reviewed was from account 30-40-80-00-874-05-00, Service Line Survey, in the amount of \$1,963.69. The invoice was from Omark Consultants and notes it was for walking service line surveys for the week of 5/4/2020-5/10/2020. The full invoice was for New Hampshire and was fully booked to NU-NH.

The second voucher reviewed was booked to account 30-40-80-00-874-07-00, Gas Main Survey, in the amount of \$6,635.95. The full invoice totaled \$20,108.96 for myWorld Inspection & Survey M&S and Google License Renewal. The invoice was allocated \$6,635.95 to both NU-NH and NU-ME and \$6,837.05 to FGE. Audit was unable to verify the allocation percentages to the Mater Allocation Guidelines. The Cost Allocation Manual does note that *“costs are usually assigned by one of the allocations methods listed in this CAM, there are occasions when a more specific cost-causative allocation ratio should be calculated”*.

875 – Measuring and Regulating Station Expenses \$294,249

Audit reviewed the general ledger detail for the nine 875 accounts totaling \$294,249. Activity in the accounts included payroll expense, payroll accruals, small tools, and vendor payments. Vendor payments included, but not limited to, payments for Eversource, Bank of America Visa, and Northeast Gas Association. The majority of the 875 expenses were for payroll. A detailed review of payroll can be found in the Payroll section.

878 – Meter and House Regulator Expenses \$976,758

A total of nineteen 878 accounts summed to the year-end total of \$976,758. Audit reviewed the general ledger detail for all of the accounts. Activity included, payroll expense, payroll accruals, payroll allocation, small tool expense, transportation, and vendor vouchers. Vendor payments were made to Inner-Tite Corp, NRC Holding Company, Bank of America Visa among others. Approximately only \$14,000 of the account total was for vendor payments. The majority activity in the account was for payroll, then small tools and transportation.

879 – Customer Installations Expense \$44,458

One account, 30-40-80-00-879-00-00 Customer Leak Investigation – NH, accounts for the full 879 year-end total of \$44,458. Activity in the account included \$42,538 for allocated payroll and \$1,920 in small tools. A detailed payroll review can be found in the Payroll section.

880 – Other Expenses \$1,009,902

A total of five 880 accounts make up the year-end balance of \$1,009,902. Audit reviewed the activity in the 880 general ledger accounts in detail. Activity included payroll expense, payroll accruals, small tools, USC service bill, and vendor vouchers. The total voucher payments made was an immaterial amount of approximately \$1,200.

885 – Maintenance Supervision and Engineering \$86,632

Five 885 accounts make up the year-end total of \$86,632. Audit reviewed the detail general ledger activity for all five accounts. Audit notes activity included transportation entries, payroll expenses, payroll accruals. Please see the Payroll section for a detailed review of Northern's payroll.

886 – Maintenance of Structures and Improvements \$33,225

One account, 30-40-80-00-886-00-00, T&D Maint Structures & Improv – NH, totaled the account 886 year-end balance of \$33,225. Audit notes that approximately \$23,000, or 70% of the activity in the account was for payroll expense and accruals. Small tools expense accounted for approximately \$1,000 of the account balance and vendor voucher accounts for approximately \$10,000. Vendor vouchers included payments to Bank of America Visa, Rockingham Electric Supply, Fastener Warehouse, and others.

887 – Maintenance of Mains \$80,111

Five 887 accounts totaled the year-end balance of \$80,111. Audit reviewed all five general ledger accounts in detail. Activity in the accounts included stores expense, transportation, small tools, payroll expense, payroll accruals, and vendor vouchers. Vendor payments include traffic control, Unitil, Eversource, Liberty, and others.

889 – Maintenance of Meas. And Reg. Equip. – General \$59,820

Account 30-40-80-00-889-00-00, Maintenance of Reg Equipment (District)-NH, makes up the year-end total of account 889 totaling \$59,820. Activity in the account included approximately \$44,000 in payroll expenses, \$2,000 for small tools, and \$14,000 in vendor vouchers. Vendor vouchers included payments to Powell Controls, Bank of America Visa, Zep Sales & Service, among other vendors.

890 – Maintenance of Meas. And Reg. Equip. – Industrial \$4,933

One account, 30-40-80-00-890-00-00, Maintenance of Reg Equip (Industrial)-NH's, year-end balance of \$4,933 was the full balance in account 890 for 2020. Expenses in the account were for Store Expense, a payment to Bank of America Visa, and Payroll, which made up 88% of the account total. Please see the Payroll section below for a detailed payroll review.

891 – Maintenance of Meas. And Reg. Equip. – City Gate Check Station \$81,144

Two, 891 accounts summed to the year-end total of \$81,144. Audit reviewed the general ledger detail for both accounts and noted activity for payroll expenses and accruals, vendor vouchers, small tools, and stores expense. Vendor vouchers included payments to Eversource, Liberty, Unitil, Bank of America Visa and others.

892 – Maintenance of Services \$138,550

Four 892-Maintenance of Services accounts totaled the year-end balance of \$138,550. Audit reviewed the detail general ledger activity for all four accounts. Activity included stores expense, transportation, miscellaneous plant adjustments, small tools, payroll, and vendor payments. The majority of the vendor payments were to NEUCO, New England Utility Constructors Inc, a company that specializes in underground utility construction.

893 – Maintenance of Meters and House Regulators \$24,638

Account 30-40-80-00-893-00-00, Maintenance of Meters & House Regulators – NH, made up the account 893 year-end balance of \$24,638. Audit reviewed the activity in the account and notes that approximately \$13,500, or 55%, of the account activity was for payroll. \$11,000 was for vendor vouchers and the remaining portion was for small tools. Vendor payments were made to Utilities & Industries and Ashcroft Inc., who provide metering supplies.

894 – Maintenance of Other Equipment \$129,835

Six accounts make up the year-end balance of \$129,835 in the 894-Maintenance of Other Equipment account. Audit reviewed the general ledger detail for all six accounts. The majority of the expenses booked to the account were for payroll and vendor vouchers.

Customer Accounting Expenses - \$2,608,189

Audit verified the reported \$2,608,189 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts, and compared each to the 2019 year-end balances for comparison:

		2020	2019	Percent Changed
902	Meter Reading Expenses	\$ 187,619	\$ 119,673	57%
903	Customer Records and Collection Expenses	\$ 1,970,719	\$ 2,187,057	-10%
904	Uncollectible Accounts	\$ 449,851	\$ 462,028	-3%
		<u>\$ 2,608,189</u>	<u>\$ 2,768,758</u>	-6%

Schedule RevReq-2, page 1 of 2 in the filing, show a flow-through total of \$99,544. Audit was able to verify the amount to the following nine bad debt expense accounts:

30-49-21-14-904-00-05	BD EXP CIS R5-W-NON-DIST	\$72,466.61
30-49-21-14-904-00-06	BD EXP CIS R6-W-NON-DIST	\$ 623.25
30-49-21-14-904-00-10	BD EXP CIS R10-W-NON-DIST	\$ 8,013.95
30-49-21-14-904-00-40	BD EXP CIS G40-W-NON-DIST	\$12,361.69
30-49-21-14-904-00-41	BD EXP CIS G41-W-NON-DIST	\$ 4,414.70
30-49-21-14-904-00-50	BD EXP CIS G50-W-NON-DIST	\$ 1,219.79
30-49-21-44-904-00-05	BD EXP CIS R5-S-NON-DIST	\$ 85.61
30-49-21-44-904-00-10	BD EXP CIS R10-S-NON-DIST	\$ 359.33
30-49-21-44-904-00-40	BD EXP CIS G40-S-NON-DIST	\$ (1.13)
		<u>\$ 99,543.80</u>

The total remaining Customer Accounting Expenses for the test year are \$2,508,645.

902 – Meter Reading Expense \$187,619

Three accounts make up the year-end balance of \$187,619 in the 902-Meter Reading Expense. Audit reviewed the detailed account activity and noted expenses for transportation, payroll, MDS allocated payroll and vendor vouchers. All vendor payments were made to Itron for hardware and software maintenance.

MDS was noted to stand for Mobile Dispatch System, the Company's work order management system. Please see the Payroll section for a detailed review of payroll expenses.

903 – Customer Records and Collection Expenses \$1,970,719

Ten 903-Customer Records and Collection Expenses accounts make up the year-end total of \$1,970,719. Audit reviewed the ten accounts in detail. The general ledger activity included, MDS payroll allocations, transportation expense, and vendor charges for postage.

Audit reviewed an invoice for Kubra Data Transfer. The invoice total is \$13,710 which was charged to account 30-40-21-00-903-02-00 in the amount of \$245.05. During the last Util Energy Systems, Inc. rate case audit in Docket DE16-384, the Kubra invoice reviewed included tax in the invoice total. At that time Util noted that the Tax Manager was in the process of providing Kubra with an exemption certificate. The tax issue was rectified as the invoice reviewed from June 30, 2020 did not include a tax charge. No exceptions were noted in the review of the Kubra invoice.

904 – Uncollectible Accounts \$449,851

Thirty-two accounts make up the year-end balance of \$449,851 in the Uncollectible Account 904. As noted above, \$99,543 was noted a flow-through, reducing the 904 account total to \$350,307. Audit reviewed the remaining twenty-three accounts in detail. Activity included CIS Utility billing transactions. The 2019 Uncollectible balance was \$462,028. Refer to the COVID-19 section of this report for additional detail.

Customer Service and Information Expenses - \$2,341,706

Audit verified the reported \$2,341,706 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts:

908	Customer Assistance Expenses (57 Accounts)	2,268,632
909	Informational and Instructional Expenses (3 Accounts)	73,074
		<u>\$2,341,706</u>

Audit performed a comparison of the 2020 year-end balance to the 2019 year-end balance as noted below:

	2020	2019	Percent Changed
908	Customer Assistance Expenses	\$ 2,268,632	\$ 2,247,505 1%
909	Informational and Instructional Expenses	\$ 73,074	\$ 71,870 2%
		<u>\$ 2,341,706</u>	<u>\$ 2,319,375 1%</u>

Schedule RevReq-2, page 1 of 2 in the filing, show a flow-through total of \$2,268,632. Audit verified the flow-through total to the fifty-seven Customer Assistance Expense accounts 908, without exception. The 908, Customer Assistance Expenses, accounts are reviewed as part of the Energy Efficiency program audit.

909 Informational and Instructional Expenses \$28,775.

A total of three 909 accounts make up the year-end account balance of \$28,775. Audit reviewed the detail general ledger for the three accounts. Activity in the accounts contained expenses for Neighbor Helping Neighbor, Bank of America Visa charges, and amortization of the prepaid Contractor Safety Outreach Program, along with other vendor vouchers. Audit selected three invoices to review in detail.

Audit reviewed a payment to Neighbor Helping Neighbor (NHN) in which \$1,056 was charged to account 30-40-21-00-909-01-00, Neighbor Helping Neighbor. The invoice totaled \$3,520 for utility match for the 2020 NHN Fiscal Budget. The remaining balance of \$2,464 was booked to UES. The invoice was allocated using the 70/30 split. No exception was noted.

Audit reviewed an invoice totaling \$6,000 for 2020 Annual MUST Training Seminar. \$1,000 of the invoice was booked to account 30-40-24-00-909-52-00, Outreach and Education. \$1,000 was booked to UES, \$2,000 was booked to FGE and \$2,000 was booked to NU-ME.

The Culver Company invoice, totaling \$49,742.50 was reviewed. A total of \$7,123.50 was booked to account 30-40-24-00-909-52-00, Outreach and Education. The remaining invoice amount was charged to NU and FGE. The batch requisition provided to Audit notes the charges are for the 2020 School Program E-Smart Kids website and materials. The invoice from Culver notes \$49,000 for “Unitil K-12” and two video requests at \$383 and \$360 each. The FERC definition of account 909, Informational and Instructional Advertising Expenses (Major Only), is *“This account shall include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the utility urges or suggest customer should do in utilizing electric service to protect health and safety, to encourage environmental protection, to utilize their electric equipment safely and economically, or to conserve electric”*. No exception was noted with regards to the \$7,123.50 charge booked to account 909.

Sales Expense - \$69,178

Audit verified the reported \$69,178 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts:

913	Advertising Expenses (2 Accounts)	69,178
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Audit compared the 2020 year-end balance to the 2019 year-end balance of \$64,467 and noted a 7% increase in expenses.

913 - Advertising Expense \$69,178

There are two 913 accounts which total the year-end balance of \$69,178. Audit reviewed the detail general ledger activity in the account and noted they contained mostly printing fees. Audit selected one invoice from Pixel and Pulp to review in detail.

The Pixel and Pulp invoice selected for review was for a total of \$3,770. A total of \$754 was charged to account 30-40-24-00-913-53-00, Customer Communication. \$942.50 was

charged to FGE, \$1,168.70 was charged to UES and \$904.80 was charged to NU-ME. The actual invoice noted the charges were for the January and February Newsletters and stock photos. The invoice was dated 12/18/2020 and due 1/17/2021. Audit recommends this charge be removed from the rate case expense total as the charges are for 2021 and not 2020. **Audit Issue #3**

Administrative and General Expense - \$6,740,777

Audit verified the reported \$6,740,777 as seen on Schedule RevReq-2, Page 1 of 2, to the following general ledger accounts, and compared the 2020 balances to the 2019 balances:

		2020	2019	Percent Changed
920	Administrative and General Salaries	\$ 11,276	\$ 12,721	-11%
921	Office Supplies and Expenses	\$ 418,738	\$ 413,058	1%
923	Outside Services Employed	\$ 3,602,227	\$ 4,526,634	-20%
924	Property Insurance	\$ 2,896	\$ 7,263	-60%
925	Injuries and Damages	\$ 230,008	\$ 216,668	6%
926	Employee Pensions and Benefits	\$ 1,733,274	\$ 1,876,019	-8%
928	Regulatory Commission Expenses	\$ 441,705	\$ 461,134	-4%
930	Miscellaneous General Expenses	\$ 141,428	\$ 38,730	265%
931	Rents	\$ 23,244	\$ 10,994	111%
932	Maintenance of General Plant	\$ 135,979	\$ 116,070	17%
		<u>\$ 6,740,775</u>	<u>\$ 7,679,291</u>	-12%

Schedule RevReq-2, page 1 of 2 in the filing, show a flow-through total of \$58,225. Audit tied the flow-through amount to the following Residential Low Income Assistance Account:

30-49-01-77-928-03-00 REG COMM EXP - ASSESSMENTS - RLIARA \$58,225.00

The remaining Administrative & General Expenses balance of \$6,682,550 are included in the rate base. Rate setting for the RLIARA is accomplished in the annual Winter Cost of Gas audits as part of the Local Distribution Adjustment Clause (LDAC).

920-Administrative and General Salaries \$11,276

A total of three 920 general ledger accounts sum to the year-end total of \$11,276. Audit reviewed all three accounts in detail and note that activity included Bank of America Visa payments, incentive compensation accruals and capitalized incentive compensation accruals. Please see the Payroll section for a detailed review of incentive compensation.

921 – Office Supplies and Expenses \$418,738

A total of thirteen 921 accounts make up the year-end balance of \$418,738. Audit reviewed the detail general ledger for all thirteen accounts. Activity in the accounts include service center overheads, amortization of prepaid expenses, and vendor vouchers.

Audit reviewed one invoice booked to account 30-40-13-00-921-03-00, Dues and Subscriptions. The invoice was Unutil Corporation annual dues to the American Gas Association for calendar year 2020. The invoice total was \$84,145, of which \$28,609 was allocated to NU-NH. The allocations were debited monthly to the 921 expense account. The remainder was allocated to NU-ME and FG&E. Audit recalculated the allocated amounts and verified them to the “Master Allocation Guidelines” without exception. The NU-NH portion agrees with the filing PUC 1604.01(a)-11 Attachment 1, page 1 of 1. The dues invoice notes in the “Important IRS Required Notice” at the bottom of page one, that “*the portion that is allocable to lobbying is 6.2%*”. Audit verified that \$1,774 (\$28,609 multiplied by 6.2%), which should be booked below the line for lobbying fees, was performed out of the 921 account. See RevReq Schedule 3-10.

Audit reviewed an invoice from TM Squared totaling \$6,975 for CPR, AED, and First Aid training. A total of \$1,162.50 was booked to account 30-40-22-00-921-24-00, Safety - Shared Services. The remaining invoice total was allocated to FGE, electric and gas; NU Maine; UES; and Granite State Gas Transmission in the amount of \$1,162.50 each. No exception was noted.

Audit reviewed a travel and expense report in the amount of \$555 booked to account 30-40-80-00-921-18-00, Telephone Services – NH. Payment was for \$55.00 per month for January through October for cell phone reimbursement. No exception was noted.

923 – Outside Services Employed \$3,602,227

Fifteen 923 accounts make up the year-end balance of \$3,602,227. Audit reviewed the general ledger detail for all fifteen accounts. Audit notes that activity in the accounts include vendor vouchers, legal fee accruals, audit fee accruals, and USC service billings. The majority of the account balance is for Unutil Service Corp expenses.

Audit selected one invoice from account 923 for review in the amount of \$6,925 from OnSolve. The invoice is the Emergency Alert System (EAS) and Mobile Services from March 5, 2020 through March 4, 2021. Per the OnSolve website, the EAS provides urgent notifications and instructions to citizens. \$1,385 of the invoice was booked to account 30-40-22-00-923-15-00, OS-Emergency Management & Compliance. 20% of the invoice was booked to NuNH. Per the Cost Allocation Manual, it appears that 19%, or \$1,315.75, should have been booked to this account. Audit recommends removing \$69.25 from the rate case expense. **Audit Issue #4**

924 - Property Insurance \$2,896

The account total of \$2,895.81 was tied the following two general ledger accounts:

30-40-08-00-924-00-00	PROPERTY INSURANCE	\$ 8,391.81
30-40-10-00-924-00-01	PROPERTY INS CAPITALIZED	<u>\$(5,496.00)</u>
		\$ 2,895.81

Account 30-40-08-00-924-00-00 contained monthly amortization amounts for the prepaid property insurance. Account 30-40-10-00-924-00-01 contains monthly recurring journal entries of \$458 to capitalize property insurance expense.

Audit received copies of the property insurance binders that were in effect during calendar year 2020. The property insurance policy was renewed in May 2020. Audit received both the 2019 and the 2020 policy binders with the premium totals. Audit received a spreadsheet showing the allocation of the premiums to each company. Audit verified the premium amounts allocated to Northern in 2019 and 2020 were accurately booked to the Prepaid Property Insurance account 30-40-00-00-165-01-00 without exception.

Account 925, Injuries and Damages \$230,008

Account 925 contained a total of seven general ledger accounts resulting in a year-end total of \$230,007.50.

30-40-08-00-925-00-00	D & O AND FIDUCIARY	\$ 45,809.67
30-40-08-00-925-02-00	GENERAL LIABILITY	\$ 313,004.00
30-40-08-00-925-02-02	GENERAL LIABILITY CLAIMS	\$ 1,887.00
30-40-08-00-925-04-00	WORKERS COMPENSATION EXP	\$ 77,534.20
30-40-10-00-925-02-01	GEN LIAB CAPITALIZED	\$(177,984.00)
30-40-10-00-925-04-01	WORKERS COMP CAPITALIZED	\$ (33,995.15)
30-40-80-00-925-01-00	INJURIES & DAMAGES SAFETY	<u>\$ 3,751.78</u>
		\$ 230,007.50

Activity in the accounts include amortization of prepaid insurance expense, monthly insurance claim accruals, and vouchers for first aid supplies.

Audit reviewed the insurance policy binders for Directors and Officers Insurance, Fiduciary Liability Insurance, Crime Insurance, and Cyber Insurance. The policy periods were for a twelve month period that did not coincide with the calendar year. Due to this, Audit reviewed both the 2019 and 2020 general ledger activity for these policies. Audit was able to verify the premium amounts for each policy, as Audit was provided an allocation spreadsheet for each, to the prepaid injuries and damages account 30-40-00-00-165-01-01. On a monthly basis the premium amounts are amortized to expense account 30-40-08-00-925-00-00, D&O and Fiduciary.

Audit reviewed the Excess Liability Insurance policy that was in effect from 12/31/2019 through 12/31/2020. The total charges for the policy include the premium, broker fee and surplus tax fee. Please see the *Tax* section for information regarding the surplus tax. Audit was provided the premium and broker fee allocation amounts for each company. Audit verified these amounts to the Prepaid Injuries and Damages account 30-40-00-00-165-01-01. The monthly amounts are then amortized to general ledger account 30-40-08-00-925-02-00 General Liability.

During Audit’s review of the prepaid Injuries & Damages account, it was noticed that the broker fee amount of \$13,321.07 was booked to the general ledger in January 2020 and December 2020. As this account is not included in the Company’s rate base, no adjustment is necessary.

Audit reviewed the Worker’s Comp insurance policy binder and allocation spreadsheet provided by the Company. The policy period was from October through October so Audit reviewed both the 2019 and 2020 journal entries. The spreadsheet provided the annual premium and monthly payment amount. The monthly payment amount is booked to the prepaid account 30-40-00-00-165-01-01, Prepaid Injuries & Damages Ins - NH on a monthly basis. The amounts are then amortized to the Worker’s Comp expense account 30-40-08-00-925-04-00.

926 – Employee Pensions and Benefits \$1,733,274

A total of thirty-eight, 926-Employee Pension and Benefit account make up the year-end total of \$1,733,274. Audit reviewed the activity in the general ledger for all of the accounts. Activity in the accounts include weekly 401k deposits to John Hancock, monthly pension expense transactions, health insurance reserve accruals, drug subsidy accruals and payments, life insurance premiums, monthly PBOP, and SERP. Other employee benefits include expenses for employee coffee station such as coffee, creamer, etc.

Audit reviewed a charge of \$865.86 booked to account 30-40-03-00-926-06-00, Employee Benefits Other. The invoice total was \$9,515 for the Employee Assistance Program for 1/1/20-5/31/20. Audit requested additional information from the Company regarding the allocation. They noted that the allocations is per person and NU-NH’s portion was 9%. Audit recalculated the allocation and noted 9% of the invoice is \$856.35. As the difference of \$9.51 is immaterial, Audit does not recommend any adjustments.

Pension Accounts

Audit tied the net periodic benefit cost of \$546,677 for Pension from the Actuarial report supporting documentation to the following general ledger accounts:

30-40-03-00-926-02-01 FASB 87 – Pension - Service	\$ 336,984
30-40-03-00-926-02-20 FASB 87 – Pension – Other	<u>\$ 209,700</u>
	\$ 546,684

There is an immaterial difference between the actuarial report and the general ledger accounts of \$7.00. The Pension expenses of \$546,677, per the Actuarial Report, was also verified to filing Workpaper 4.1

The total Pension net periodic benefit of \$546,677 multiplied by the NU-NH Capitalization Rate of 48.76%, per Workpaper 4.1, calculated to \$266,560. Audit was able to verify the capitalized amount to the following two accounts with an immaterial difference of \$3.00:

30-40-10-00-926-08-00	Pension- SVC Capitalized	\$164,311
30-40-10-00-926-08-20	Pension – Other – Capitalized	<u>\$102,252</u>
		\$266,563

The USC net periodic benefit amount stated on the actuarial report is \$3,032,609. Workpaper 4.1 shows a total USC Pension expense allocated to NU-NH is \$601,973. Workpaper 4.1 also notes the USC Labor & Overhead Charged to NU-NH to be 19.85%. The USC total of \$3,032,609 multiplied by 19.85% equals \$601,973. The amount of \$601,973 was verified to year ending balance of the two following general ledger accounts with an immaterial difference of \$7.00:

30-40-10-00-926-02-10	Pension – USC Alloc – Svc	\$344,280
30-40-10-00-926-02-30	Pension – USC Alloc – Other	<u>\$257,700</u>
		\$601,980

The total Pension USC allocation amount of \$601,973 multiplied by the 31.51% USC Labor & Overhead to Construction noted on workpaper 4.1, calculated to \$189,682. Audit was able to verify they USC capitalized amount to the following two accounts with an immaterial amount of \$2.00:

30-40-10-00-926-08-12	Pension – USC Alloc – SVC Capitalized	\$108,480
30-40-10-00-926-08-30	Pension – USC Alloc – Other deferred	<u>\$ 81,204</u>
		\$189,684

No exceptions were noted with the review of the Pension and Pension capitalization expense accounts.

PBOP Accounts

Audit was able to verify the PBOP net periodic benefit cost of NU Union and NU non-union from the Actuarial Report supporting documentation to the following two general ledger accounts:

30-40-03-00-926-09-00	SFAS 106- PBOP – Service	\$249,756
30-40-03-00-926-09-19	SFAS 106- PBOP – Other	<u>\$148,140</u>
		\$397,896

There is an immaterial difference between the GL accounts and the actuarial report of \$7.00. The Actuarial Report expense amount of \$397,889 was verified to filing Workpaper 4.2

The total PBOP net periodic benefit of \$397,896 multiplied by the NU-NH Capitalization Rate of 48.76%, per Workpaper 4.2, calculated to \$194,014. Audit was able to verify they capitalized amount to the following two accounts:

30-40-10-00-926-17-00	PBOP- SVC Capitalized	\$121,786
30-40-10-00-926-17-19	PBOP – Other – Capitalized	<u>\$ 72,228</u>
		\$194,014

The USC net periodic benefit amount stated on the actuarial report is \$1,510,206. Workpaper 4.2 shows a total USC PBOP expense of \$299,776 and also notes the USC Labor & Overhead Charged to NU-NH to be 19.85%. The USC total of \$1,510,206 multiplied by 19.85% equals \$299,775. The amount of \$299,784 was verified to year ending balance of the two following general ledger accounts:

30-40-10-00-926-09-10	PBOP – USC Alloc – Svc	\$276,744
30-40-10-00-926-09-29	PBOP – USC Alloc – Other	<u>\$ 23,040</u>
		\$299,784

The total PBOP USC allocation amount of \$299,784 multiplied by the 31.51% USC Labor & Overhead to Construction noted on workpaper 4.2, calculated to \$94,461. Audit was able to verify they USC capitalized amount to the following two accounts with an immaterial difference of \$3.00:

30-40-10-00-926-17-12	PBOP – USC Alloc – SVC Capitalized	\$87,204
30-40-10-00-926-17-29	PBOP – USC Alloc – Other deferred	<u>\$ 7,260</u>
		\$94,464

No exceptions were noted with the review of the PBOP and PBOP capitalization expense accounts.

SERP Accounts

As the SERP is for Executives, which are at the USC level, the full SERP is attributed to USC. The USC net periodic benefit amount stated on the actuarial report is \$1,924,767. Workpaper 4.3 shows a total USC SERP expense allocated to NU-NH of \$382,066 and also notes the USC Labor & Overhead Charged to NU-NH to be 19.85%. The USC total of \$1,924,767 multiplied by 19.85% equals \$382,066. The amount of \$382,066 was verified to year ending balance of the two following general ledger accounts:

30-40-10-00-926-11-10	SERP – USC Alloc – Svc	\$ 56,194
30-40-10-00-926-11-31	SERP – USC Alloc – Other	<u>\$325,872</u>
		\$382,066

The total SERP USC allocation amount of \$382,066 multiplied by the 31.51% USC Labor & Overhead to Construction noted on workpaper 4.3, calculated to \$120,389. Audit was able to verify they USC capitalized amount to the following two accounts:

30-40-10-00-926-18-12	SERP – USC Alloc – SVC Capitalized	\$ 17,707
30-40-10-00-926-18-31	SERP – USC Alloc – Other deferred	<u>\$102,682</u>
		\$120,389

Refer to **Audit Issue #5**

928 – Regulatory Commission Expense \$441,705

A total of three 928 accounts make up the year-end balance of \$441,705 in the Regulatory Commission Expense account. The following accounts, in the amount of \$58,225 was noted as flow-through as it is for residential low income assistance, reviewed as part of the annual Winter Cost of Gas audits:

30-49-01-77-928-03-00 Reg Comm Exp – Assessments-RLIARA \$58,225

The remaining balance of \$383,480 is comprised of the following two general ledger accounts:

30-40-01-00-928-01-00	Reg Comm Assessment/Fees-NH	\$368,964
30-40-01-00-928-02-00	Reg Comm Exp – Misc – NH	<u>\$ 14,516</u>
		\$383,480

Account 928-01 contained amortization of the prepaid PUC assessment. Account 928-02 contained monthly target distribution percentage allocations and vendor vouchers for a newspaper publication and stenography copies.

Audit noted the PUC Assessment fees for 2020, as noted in the Assessment Booklet from the PUC’s website, as the following:

Assessment Due	Gas	IESR	Total
January 2020	\$ 76,861	\$ 26,196	
April 2020	\$ 76,861	\$ 26,196	
July 2020	\$ 58,303	\$ 21,959	
October 2020	\$ 72,632	\$ 26,841	
Total	\$284,657	\$ 101,192	\$ 385,849

IESR as noted in the above graph represents the initials for Imputed Energy Service Revenue.

Audit reviewed the prepaid account 30-40-00-00-165-02-00, Prepaid NH PUC Assessment and noted monthly entries in the amount of \$36,760. \$30,747 of that amount is noted as base and \$6,013 is noted as flow-through. The amounts were verified to the following two accounts:

30-40-01-00-928-01-00	Reg Comm Assessment/Fees-NH	\$30,747
30-49-01-77-928-03-00	Reg Comm – Assessment - RLIARA	<u>\$ 6,013</u>
		\$36,760

Filing Schedule RevReq-3-9 shows the total test year Regulatory Assessment recovered through base rates to be \$368,964 which is the year-end balance in account 30-40-01-00-928-01-00, Reg Comm Assessments/Fees – NH.

Audit noted that the assessment spread is documented in the 2020 CAM as follows: *“Regulatory directives from the NHPUC govern how Northern accounts for and recovers regulatory assessments. Regulatory assessments from the NHPUC are allocated between distribution and supply based on amounts determined in the most recent base rate filing. The total NHPUC payment recovers the approved annual amount through base rates and the remainder is assigned to the RLIARA reconciling mechanism.”*

930 – Miscellaneous General Expenses \$141,428

A total of six accounts make up the year-end balance of \$141,428 in account 930, Miscellaneous General Expenses. Audit reviewed the activity in the detail general ledger for all six accounts. Activity in the accounts included payroll, vendor vouchers, and Bank of America Visa.

Account 30-40-10-00-930-10-00, Misc Exp – Pandemic Costs-NH had a year end-balance of \$100,284. Schedule RevReq-3-11, Pandemic Cost Adjustment, notes this amount to be removed from the test year. See also the section of this report, COVID-19.

Audit selected four invoices from the 930 accounts to review in detail. The first invoice reviewed was from Northeast Gas Association. The invoice total was \$15,000 and \$6,000 was booked to account 30-40-80-00-930-03-00, Dues to Organizations-NH. The remaining amount was allocated \$6,000 to NU-ME and \$3,000 to FGE.

Audit reviewed a Bank of America Visa invoice. The invoice totaled \$2,477 and \$51.00 was booked to account 30-40-15-00-930-20-00, Misc General Exp – Statutory Rep Fees. The total charge was \$102 paid to the State of NH for the Northern Annual Report Filing. The invoice expense was split 50/50 with NH and ME.

Audit reviewed an invoice from Matter Communications in the amount of \$5,092.48 booked to account 30-40-24-00-930-54-00, Media Services. The invoice notes it is *“For professional services rendered in connection with the media and public relations retainer for the State of New Hampshire”*. The invoice is allocated between UES and NU 50/50. Audit questioned why the allocation was 50/50 and not 70/30 and their response was as follows:

“...it’s one of our typical monthly PR retainer bills. The reason it is charged 50/50 is that our proactive PR work attempts to provide a balance of proactive PR stories supporting our electric and gas business. So the work isn’t divided up 70/30 based on our customer base, but instead on a 50/50 balance of gas and electric PR.”

The final invoice reviewed by Audit from account 930 was for \$9,250. A total of \$ 1,850 was booked to account 30-40-24-00-930-54-00, Media Services. FGE gas, FGE electric, UES and NU Maine all received allocations in the amount of \$1,850. The invoice noted it was invoice 1 of 2 for a journey mapping study.

931 – Rents \$23,244

The following two general ledger accounts were verified to the 931, Rents year-end balance of \$23,244:

30-40-10-00-931-00-00	RENT- GARAGE SPACE - NH	\$11,922.48
30-40-10-00-931-31-00	MISC. EXPENSES	\$11,321.60
		<u>\$23,244.08</u>

Audit reviewed the detail general ledger for both accounts and noted activity for monthly charges for Plaistow Storage I account 931-00 and one entry in account 931-31 for target distribution percentage allocations.

932/935 – Maintenance of General Plant \$135,979

Four accounts summed to the year-end account balance of \$135,979 in account 935, Maintenance of General Plant. Audit reviewed the activity in the accounts and noted that activity included maintenance for facilities in Portsmouth, Plaistow, and office equipment financing payments.

Payroll

There are four different sources of payroll: USC Salary, USC Hourly, Northern Salary, and Northern Hourly. The USC payroll is allocated to Northern through the monthly service billing. Please see the USC Service Billing section for more information regarding the service billing.

Northern employees are either salaried and get paid semi-monthly or hourly and paid on a weekly basis. Northern salary employees do not complete timesheets. Fixed allocations for each employee are provided to payroll at the beginning of the year. Payroll enters the allocation into ADP and that data is used to post the expenses to the appropriate general ledger account.

Northern hourly employees complete their timesheets manually on a daily basis. The timesheets are provided to Operations Support Associates who key them into Web Ops, the time entry system, also on a daily basis. The supervisor reviews and signs the timesheets. Once all timesheets for the prior week are entered into Web Ops and approved by the supervisor, they are imported into the ADP system.

Audit reviewed the ADP contract which became effective February 28, 2007. The contract was general in nature stating which services ADP will provide. The payment terms of the contract were not stated.

On April 27, 2015, an addendum to the contract was signed modifying the agreement to include Essential ACA services. *“Essential ACA is a technology and software solution to assist in managing compliance needs related to the Affordable Care Act”.*

Audit verified with Northern that no additional changes have been made to the contract.

Audit reviewed, in detail, the United Steel Workers Union Contracts that were in effect during the test year. During 2020, the contract that was in effect since June 6, 2017 expired on June 5, 2020. A new contract went into effect September 6, 2020 through June 7, 2025. All of the applicable payroll selections that were made were verified to the Union Contract without exception.

Northern employees are paid on either a weekly or a semi-monthly basis. Weekly employees are paid as stated; weekly. Semi-monthly employees have two pay periods a month; the 1st-15th and the 16th – 30th/31st. The semi-monthly employees are paid on the 10th and 25th of each month. If the pay day falls on a weekend or holiday, the employee gets paid on Friday or the day before the holiday.

Audit reviewed the payroll data for the final pay period of 2020. For the weekly employees the final pay period was from December 20 through December 26, 2020 which was paid on December 31. The semi-monthly employees got paid on December 24, 2020 for the period of December 16 through December 31, 2020.

There were a total of nine semi-monthly employees on the 2020 employee listing. Audit selected four to review in detail. Semi-monthly employees do not submit timesheets so Audit reviewed their paystubs, W2s, and the payroll register. All four employees were paid for 86.67 hours on their paystub. The gross and salary pay noted on the payroll register matched their paystub. The year to date gross pay on the payroll register tied to the W2s. No exceptions were noted with the review on the semi-monthly payroll.

A total of thirty-seven union employees were noted on the employee payroll listing. Audit selected ten of those employees to review in detail. Audit reviewed the timesheets, pay stubs, W2s, and the payroll register for each employee selected. Audit verified each employee's time sheet hours to the hours noted on their pay stubs. Audit also verified the pay amount on the pay stub to the payroll register. W2s were verified to the gross pay amount noted on the payroll register. No exceptions were noted with this review.

Audit verified the union employees' hourly wages, meal allowance, stand-by pay and shift differential pay to the Union Contract. All union employees' pay rates were verified to the union contract without exception.

Audit reviewed in detail the year-end summary for payroll. This report was provided for both, weekly and semi-monthly paid employees. The payroll summary shows the gross payroll as \$4,587,333. The filing shows a total payroll of \$4,465,470, which is \$121,863 lower than the gross payroll. Northern provided a reconciliation between the two.

RevReq-3-4 Total NU-NH	\$4,422,756
Workpaper 2.3 Total Other Payroll	<u>42,713</u>
Total Gross Payroll per Filing	\$4,465,470
Difference between Actual Vs Target Incentive Comp	18,384
Employee Benefits – Other	29,520
Year-End Payroll Accrual	<u>73,959</u>
Gross Payroll per payroll registers	\$4,587,333

The reconciling items totaling \$121,863 were noted to be the difference between actual and target incentive compensation, employee benefits – other, and year-end payroll accrual amounts, all per Company records.

Payroll Taxes

Audit requested and reviewed the W-3 Transmittal of Wage and Tax Statement; Form 940, Employer’s Annual Federal Unemployment Tax Return (FUTA); Form 941, Employer’s Quarterly Federal Tax Return and the State Unemployment Insurance (SUI).

Audit reviewed the W-3 reports for both weekly and semi-monthly payroll and verified the gross wages for the year to the corresponding payroll registers without exception.

FICA

FICA tax expenses represent the employer portion of the Medicare and Social Security tax. The general ledger and the filing show account 30-40-03-00-408-03-10, Taxes FICA – NH with a year-ending balance of \$224,247.22. The total FICA per the W-3s is \$334,115.16. During the year there were adjustments made to the general ledger for the Employment Retention Credit (ERC) in the amount of (\$87,364.16) and (\$20,000) for the Families First Coronavirus Response Act (FFCRA). The difference between the year-end general ledger balance and the total FICA for the year, while taking into consideration the adjustments, is \$2,503.78.

Audit requested the Maine/NH payroll split for the Form 941. The Company has provided, to Audit, both the NH and Maine year-end payroll registers. Audit was unable to verify the 941 via the payroll registers. The Company has reached out to ADP for assistance regarding the matter. **Audit Issue #6**

FUTA

Northern provided the Form 940, Employer’s Annual Federal Unemployment Tax Return. The total FUTA tax deposited for the year on the 940 is \$4,550.86. This total includes FUTA tax for NH and Maine.

Audit reviewed all of the 2020 payroll registers for both NH and Maine. Audit was unable to verify the NH portion of the FUTA tax, in the amount of \$1,638.88, to general ledger account 30-40-03-00-408-04-10, Taxes Federal Unemployment – NH. **Audit Issue #6**

Form 941

Northern provided the Employer's Quarterly Federal Tax Returns which included NH and Maine. The Company also provided the NH and Maine year-end payroll registers. Audit was unable to verify the amounts on the Form 941 to the payroll registers. As noted above, the Company has reached out to ADP for assistance on the matter. **Audit Issue #6**

SUI

General ledger account 30-40-03-00-408-06-11, Taxes Unemployment – NH has a year ending balance of \$1,135.17. The ADP quarterly New Hampshire SUI reports show the total liability as \$1,338.75, a difference of \$203.58.

SUI rates change two times a year. If the SUI has been over-collected, ADP will credit Northern's bank account. One credit hit the Taxes Unemployment – NH GL account in the amount of \$187.04. This credit and the monthly payroll accruals that are performed is what resulted in the difference in the ADP SUI reports and the general ledger ending balance.

Capitalized Payroll Taxes

General ledger account 30-40-10-00-408-10-00, Payroll Taxes Capitalized- NH had a year ending balance of \$161,795.31. Audit reviewed the activity in the account and noted monthly entries for payroll taxes capitalized. There were also eight entries for miscellaneous plant adjustments during 2020.

Payroll taxes capitalized were verified to specific work orders during the plant review. Please see the *Plant* section for more information.

Payroll and Vacation Accruals

Northern noted, "*The year-end payroll accrual is calculated based on actual payroll from early December. The accrual calculation uses actuals prorated by the [number] of days that need to be accrued for the calendar year*". Audit requested the payroll accruals booked for the end of the year. Northern provided the December accruals journal entries which were for the payroll week ending 12/19/20 and for the payroll weeks ending 12/26/20 and 12/31/2020.

Audit reviewed the documentation and randomly selected general ledger accounts to verify. Audit was able to tie the 12/19/20 and the 12/26/20-12/31/2020 from the supporting documentation to the general ledger accounts selected without exception.

The year-end balance in account 30-40-00-00-174-05-00, Vacation Accrual – NH is \$104,250.33. Employees carry-over any vacation time they have accrued but not used. Northern provided documentation showing how the accrued amount was determined. The spreadsheet shows the vacation entitlement for the year, per employee, perfect attendance bonus of 8.0 hours for each qualifying employee, 2019 carry-over vacation, 2020 used hours, and the balance as of December 31, 2020. The hourly balance is multiplied by the employees' rate of pay to give a

monetary value to the vacation time. Per the documentation, the vacation accrual amount was \$104,250.33.

The December accrual journal entry was in the amount of (\$14,532.10). Documentation provided showed that account 30-40-00-00-174-05-00 has an unadjusted balance of \$118,782.43. In order for the general ledger account balance to match the vacation amount to be paid, a debit entry of \$14,532.10 was needed to balance the account. No exceptions were noted with the review of the vacation accrual.

Incentive Plans

The purpose of the management incentive plan is to provide executives with significant incentives related to the performance of the Corporation, thereby motivating them to maximize their performance on the Corporation's behalf. Executives receive a cash award if quantitative goals, that are set by the Compensation Committee, are met. Each Officer's target award is established as a percentage of base salary. Awards may be more or less than the target award depending on the results achieved. The Compensation Committee has the authority to increase or decrease the incentive plans, including cash and stock, or can recommend paying no incentives even when goals have been met.

The non-management incentive plan is for all employees of the Corporation who are not selected to participate in the management incentive plan. However, any employee who is covered by a collective bargaining agreement (CBA) cannot participate unless the CBA states they can. The employee's target award is also based on base salary earned during the applicable performance period. The amount of incentive earned by each participant depends upon the degree of achievement of the performance standards for each performance objective and the percentage weighting assigned to it. An incentive award will not be paid to anyone who is no longer employed with the Company on the award payment date, with the exception of official retirees who receive a prorated award based on when their retirements occurred during the program year.

Incentives are accrued monthly to general ledger account 30-40-00-00-242-26-00, Accrued Incentive Compensation – NH. Incentives are paid in February for the prior calendar year. On February 29, 2020, \$77,376.18 in incentive payments was expensed to Northern. Northern provided to Audit a listing of the employees who received incentive compensation pay and the amount paid. The account balance at the end of 2020 was \$58,992. No exception was noted.

Pension, Supplemental Executive Retirement Plan (SERP) and Post-retirement Benefits Other than Pension (PBOP)

Per the Direct Testimony of Closson and Conneely, beginning on bates page 000306, Unital Service sponsors the Unital Corporation Retirement Plan (Pension Plan). The Pension Plan retirement benefits are based on the employee's level of compensation and the length of service. It was noted that at the end of 2020, the Pension Plan covered approximately 700 people with 225 of those currently receiving benefits. The retirement plan was closed to non-union new hires

on January 1, 2010 and to UES union employees hired following April 1, 2012. The new hires are eligible for the 401(k) plan.

Unitil Service also maintains a Supplemental Executive Retirement Plan, (SERP), a non-qualified defined benefit plan which is self-funded. The SERP is designed to encourage the participating executives to continue service until retirement. It also provides retirement benefits comparable to other utilities once added to other retirement income on the executive.

The SERP was closed to new participants in 2018 and currently provides benefits to four retired executives and two active employees are eligible. Audit has made payment of SERP expenses by ratepayers an issue in several prior utility Audit reports and understands that Northern disagrees that only shareholders should pay for this supplemental benefit. Audit encourages Northern and the Department of Energy staff to specifically resolve this issue, in the context of the instant rate case. Refer to **Audit Issue #5**

A PBOP is also sponsored by Unitil Service. The PBOP provides health and insurance benefits for retirees and their spouses under the age 65 and a Medicare Supplemental insurance plan for retirees and their spouses over 65. Also included are partial reimbursement of Medicare premiums and a paid-up life insurance benefit for retirees. The Direct Testimony of Closson and Conneely notes, *“through the end of the test year, the PBOP provided health and welfare benefits to approximately 270 employees and 327 retirees and their beneficiaries”*. Audit requested clarification of the “270 employees”. The Company indicated that the reference is to 270 employees who, if they meet certain eligibility requirements, will qualify for future benefits once they reach retirement age.

The PBOP was modified as on January 1, 2010 to include a contribution of 20% of the cost of retiree medical benefits and no partial reimbursement toward Medicare premiums for employees retiring after 1/1/10. Employees hired after 1/1/10 will receive subsidized medical insurance until age 65 and not will be eligible to receive a Medicare supplemental plan after age 65.

The Pension and PBOP plans cover both union and non-union employees equally and the provisions of the plans and benefits provided apply to management and non-management with few exceptions.

Audit received and reviewed the Actuarial Reports for the Pension Plan, SERP, and PBOP. UES also provided a spreadsheet to Audit which took the data from the Actuarial Reports and put them in an easy to read format that tied to the General Ledger.

Audit reviewed account 30-40-00-00-182-04-10, Regulatory Asset – Pension FAS 158 which had an ending balance of \$6,094,495.51. Via the spreadsheets, Audit was able to tie the balance to the Actuarial Report. The spreadsheets noted that \$2,288,598 of the balance was Northern direct and \$3,805,897 was USC Attributed. The spreadsheet notes the \$64,895 in the Prepaid Pension account 30-40-00-00-165-04-01 in the Pension total.

Account 30-40-00-00-182-04-09, Regulatory Asset – PBOP FAS 158 had an ending balance of \$1,715,879.95. The account balance at year end was verified to the Actuarial Report through the reconciliation spreadsheet provided by Northern. The spreadsheet noted that at year-end \$917,779 of the balance was Northern direct and \$798,101 was USC Attributed.

Account 30-40-00-00-182-04-11, Reg Asset – SERP, contained a year-end balance of \$905,087.24. Audit was able to verify the ending account balance to the Actuarial Reports via the spreadsheet provided by Northern. As the SERP is for executives the full year-end balance is USC attributed. Refer to **Audit Issue #5**

There are three additional 182 accounts for PBOP, Pension and SERP. Audit received the following response regarding these accounts:

“The Company is required to follow ASU 2017-07 (“ACCOUNTING STANDARDS UPDATE 2017-07—COMPENSATION—RETIREMENT BENEFITS (TOPIC 715): IMPROVING THE PRESENTATION OF NET PERIODIC PENSION COST AND NET PERIODIC POSTRETIREMENT BENEFIT COST”) for GAAP purposes and external reporting requirements. These accounts were created, and tracking of the activity for those accounts was implemented, to comply with GAAP. The Company has not changed how it accounts for these costs for FERC and ratemaking purposes. As shown below, there is a net zero impact.”

30-40-00-00-182-04-19	Regulatory Asset – Other PBOP	\$ 386,245
30-40-00-00-182-04-20	Regulatory Asset – Other Pension	474,483
30-40-00-00-182-04-21	Regulatory Asset – Other SERP	<u>235,851</u>
	Total	<u>\$1,096,579</u>
30-40-00-00-101-90-00	NH Gas Plant in Service (GA Contra)	(\$1,123,255)
30-40-00-00-108-90-00	Accum Depr General Plant (GA Contra)	<u>26,676</u>
	Total	<u>(\$1,096,579)</u>

Active Employee Benefits

The Company provides a benefit package to nearly all active employees. Benefits included in the package are medical, dental, vision, life and long-term disability insurance plans. Also included is a defined benefit pension plan or a 401(K), in which the Company matches contributions. Other additional benefit plans and policies are also available.

Retired Employee Benefits

The Company provides non-union employees with company-paid life insurance and company-subsidized medical insurance to eligible retirees. Union employees receive retirement benefits as negotiated in the CBA.

Severance Pay

Per the Company’s response to Data Request, Energy 4-25, a total of \$60,286 in severance expense was booked during the test year. The normalized severance amount of \$30,339 is included in the Operations and Maintenance portion of the rate case. Audit requested clarification of the normalized amount, and was informed:

“The Company calculated a five-year average (2016-2020) severance expense based on actual severance expense, adjusted for one severance expense payment allocable to NU-NH of \$17,285 in 2020. This resulted in a five-year average of normalized severance expense of \$30,339 (again this amount excludes one severance payment).”

Testimony from Goulding and Nawazelski, Bates 000076, states:

“As reflected in Schedule RevReq-3-12, we have reduced test year severance expense by \$29,947. The Company believes that severance expense is a periodically recurring expense but that the test year expense may not be a representative level. Therefore, the Company normalized test year expense to reflect a representative test year level to be recovered in rates, calculated as the average of the most recent five-year expense amounts.”

Audit verified that the reported severance expense for the test year of \$60,286 less the \$29,947 adjustment reflected in Schedule RevReq-3-12, sums to the normalized amount of \$30,339.

Audit requested the GL information showing the amounts of severance booked to each account. Northern provided the following regarding severance:

“The severance amount of \$60,286 includes both NU-NH and Unitil Service level severance expense. The NU-NH level net expense of \$956 was charged to 30-40-80-00-885-05-00 UNPROD TIME/OTHER – NH. The USC level net expense of \$59,330 was charged to 30-40-10-00-923-03-00 OS UNITIL SERVICE CORP-NH.”

Audit notes that the severance amounts noted in the Company’s response to Data Request 4-25 and in Schedule RevReq-3-12 is only the portion of severance that was expensed to Northern. Additional amounts were capitalized as noted in the explanation below.

Audit also requested payroll information to verify the severance amount booked to Northern. The Company provided the payroll Master Control for three USC employees and one Northern employee who received severance payouts in 2020.

The total severance paid to the three USC employees totaled \$436,404. That amount was allocated to NU-NH at 19.85% or \$86,626. A capitalization rate of 31.51% was used to charge \$27,296 of the Northern severance total to Construction Work in Progress. The remaining amount of \$59,330 was expensed to general ledger account 30-40-10-00-923-03-00, as noted in italics above.

The total severance paid to the Northern employee was \$1,866. A capitalization rate of 48.76% was used and \$910 was booked to Construction Work in Progress. The remaining \$956 was booked to expense account 30-40-80-00-885-05-00, also noted in italics above.

Insurance Policies

Audit reviewed a listing of the insurance policies the Unitil Corporation holds. Unitil Corp. holds insurance for Directors & Officers liability, excess liability, cyber, crime, property, auto, workers comp, kidnap and extortion, and fiduciary.

The insurance binder for each of the policies noted above was provided to Audit for review. Please see the Operations & Maintenance section for the detail regarding this review.

Vehicle Usage

A total of twenty-six Northern employees use a company vehicle for personal use. The vehicle usage is tracked per IRS regulations by either Commute Use or by Personal Use. Per the Unitil policy on use of an employer-provided vehicle, the definitions of Commute Use and Personal Use are as follows:

“Commute Use – Employer-provided vehicle used for company business only, except to commute to and from work. A set rate is charged daily to the employee for this use.

Personal Use – Employer-provided vehicle used for both personal and company business. A mileage log record is maintained by the employee and submitted to Human Resources for mileage rate charges.”

Also, per the Unitil policy, there are two valuation methods to determine the taxable portion to the employee:

“Commuting Valuation Method: This is the method used when the company vehicle is assigned to an employee to be used to respond to emergency situations from home when necessary. The employee uses the vehicle to commute to and from work, but it is not used for any other personal purposes. A daily set rate is charged to the employee for this personal commuting use. The round trip rate is \$3.00.”

“Annual Lease Valuation: This method uses a published annual lease valuation table to determine the annual lease value (ALV), based on a vehicle’s fair market value...The car’s ALV is multiplied by the percentage of personal use to determine the taxable portion of the car’s value. The amount that is included in the employee’s income is the percentage of total miles devoted to personal use times the annual lease value of the vehicle, plus \$.055 per mile for fuel.”

Audit received the W-2s of all twenty-six employees who used a company vehicle for personal use during 2020. Audit reviewed the weekly and semi-monthly payroll registers and verified the amounts on the W-2s totaled the amount noted in the payroll registers. No exceptions were noted with the review of personal usage of company vehicles.

Taxes

Prepaid Property Taxes \$775,410

Audit verified the reported Property Tax Prepayments on the 2020 NH PUC Annual report to the general ledger account 30-40-00-00-165-11-00 Prepaid Property Tax.

Audit reviewed the general ledger for prepaid property taxes to account #30-40-00-00-165-11-00 which reflected a beginning balance of \$775,410 test year debits of \$5,743,378, and credits of \$5,743,378 and an ending balance of \$775,410. The general ledger details the accrual for each month and the true up of prior estimated prepaid property taxes. The Company indicated the monthly accrual during 2020 is 1/12th of the most current property tax bills' total liability as they do not book the prepaid property tax expense using one half of the 2020 second issue property tax bills. Audit reviewed the property tax payment accrual schedule. More detail on the 2020 prepaid property tax expense can be seen in docket DG 21-123 as well as the September 29, 2021, Final Audit Report on the Regulatory Cost Adjustment Mechanism for the recovery of property taxes.

Regulatory Asset Deferred Property Taxes \$622,682

The \$622,682 test year ending balance was reviewed in the DG 21-123 as well as the September 29, 2021, Final Audit Report on the Regulatory Cost Adjustment Mechanism for the recovery of property taxes. The charges were booked to account # 30-40-00-00-182-15-00. Audit verified the figures to the 2020 Annual Report and filing schedule 2.

Miscellaneous Deferred Debits

\$148,904 in the 30-40-00-00-186-10-00 Property Tax Abatement Recoveries-LT-NH was verified to the 2020 annual report and filing schedule 2. The account began the test year with a \$372,386 account balance. There was (\$223,482) in net credit activity during the year. The account activity consisted of three entries of \$74,527 each in March, June, and December that were abatement reclasses. The abatement reclasses are described as the difference between long term and current prepayments. See the *Asset* section of this report for more information about the Miscellaneous Deferred debits.

Accumulated Deferred Income Taxes – Account #190

NU does not have asset account #190 for ADIT. Refer to the section of this report for details related to account #283, Accumulated Deferred Income Taxes, on the liability side of the balance sheet.

Taxes Accrued – Account #236 (\$67,648)

The filing schedule 2A reflects (\$67,648) for NH. The total was verified to 2020 Annual Report and to the 5 general ledger accounts below:

30-40-00-00-236-02-40 State BET-Current	\$ (63,600)
30-40-00-00-236-02-41 State BET-Prior	\$ 0
30-40-00-00-236-03-10 Taxes FICA-NU-NH	\$ (4,157)
30-40-00-00-236-04-10 Taxes-Fed. Unemployment-NH	\$ (2)
30-40-00-00-236-06-11 Taxes-State Unemployment-NH	\$ <u>112</u>
	\$ (67,648)

Audit verified the State BET-Current account began the test year with a zero balance. Activity within the account reflected a net credit balance of (\$63,600). Offsets to the activity were noted in the NH BET Expense account # 10-30-40-00-408-02-18.

The State BET Tax-Prior account activity netted to zero during the test year. The account began the test year with a (\$288,000) credit balance with a net \$288,000 in activity during the test year. The State Income Tax prior account included state Business Enterprise Tax. Audit verified the estimates/accruals prepared by the Company were correctly done.

See the Payroll portion of this report for the FICA and Unemployment Taxes.

Sales Tax Payable (\$750,955)

Audit reviewed the (\$750,955) the Company booked for Northern NH on the Filing Schedule 2A and the 2020 Annual Report. The (\$750,000) was verified to account # 30-40-00-00-241-19-03 Sales Tax Payable Canadian General Sales Tax. The account began the test year with a (\$449,849) credit balance and had a net (\$301,105) in credit activity during the test year to end the year with a (\$750,755) credit balance. The activity in the account related to CIS Utility billing transactions, Canadian foreign currency refunds, bank fee reconciliation, and Canadian sales tax refunds.

The Company Tax Department indicated Northern has a contract with Enbridge (formerly known as Union Gas) for 4 million MMBtus of storage located in Ontario, Canada. Although Northern is exempt from sales tax in Canada, they must initially pay the sales tax and then submit a filing each quarter to the Canadian Revenue Agency (CRA) in order to certify that the gas purchased or sold by Northern is not for consumption in Canada. Once the CRA makes this certification, the tax payments are then refunded to Northern.

The Company indicated the filing is a consolidated filing for Northern and not a specific state filing. The Company indicated historically the Company was tracking all taxes paid in Maine account # 30-50-00-00-241-19-03 and all refunds in NH account # 30-40-00-00-241-19-03. In June 2021 the Company split the taxes paid and refunds received by allocable states, for a better presentation in the respective GL accounts. The Company indicated the accounting for the payments or refunds, either separately or allocated, does not impact either division's cash balances, rate base, or revenue requirements.

Accumulated Deferred Income Taxes-- Accounts #281-283 (\$16,892,861)

The combined Accumulated Deferred Income Tax total of (\$16,892,861), noted on the filing schedule 2A page 8 of 12, represents the net of the (\$22,009,122) Other ADIT, and the \$5,116,261. The debit balance of \$5,116,261 ADIT is the sum of 34 NH GL #283 accounts on the next page and the (\$22,009,122) Other ADIT are booked to two 283 general ledger accounts seen below. The Other-ADIT relate to federal and state accelerated depreciation. There are no accounts 281 or 282.

30-40-00-00-283-01-31 DEF-FIT Accelerated Depreciation-NH	(\$15,612,033)
30-40-00-00-283-02-31 Def SIT- Accelerated Depreciation-NH	<u>(\$6,397,089)</u>
Total Other ADIT-NH	(\$22,009,122)
30-40-00-00-283-XX-XX DEF FIT debit sum of 34 accounts	<u>\$ 5,116,261</u>
Combined Accumulated Deferred Income Taxes	\$(16,892,861)

Account	Account Description	Amount
30-40-00-00-283-00-23	ACC DEF FIT-Non-Current 27811	\$ (329)
30-40-00-00-283-00-43	ACC DEF SIT-Non-Current 27810	\$ (90)
30-40-00-00-283-01-34	DEF FIT-SFAS 106 OPEB- NH	\$ 657,604
30-40-00-00-283-01-35	DEF FIT-Pension FAS 87- NH	\$ (93,342)
30-40-00-00-283-01-42	DEF FIT-DefRate Case Costs-NH	\$ (1)
30-40-00-00-283-01-43	DEF FIT -Remediation-NH	\$ 303,866
30-40-00-00-283-01-51	DEF FIT-Transition Costs-NH	\$ (1)
30-40-00-00-283-01-52	DEF FIT-Transaction Costs-NH	\$ 615,059
30-40-00-00-283-01-59	DEF FIT-FASB 158 ADJ-PBOP-NH	\$ 456,119
30-40-00-00-283-01-60	DEF FIT-Pension FAS 158-NH	\$ 1,620,056
30-40-00-00-283-01-63	DEF FIT-SFAS 158 SERP-NH	\$ 240,593
30-40-00-00-283-01-64	DEF FIT-Insurance Claim Reserve-NH	\$ 1,299
30-40-00-00-283-02-34	DEF SIT-SFAS 106 OPEB-NH	\$ 261,237
30-40-00-00-283-02-35	DEF SIT-Pension FAS 87-NH	\$ (37,081)
30-40-00-00-283-02-42	DEF SIT-DefRate Case Costs -NH	\$ 1
30-40-00-00-283-02-43	DEF SIT-Remediation-NH	\$ 120,713
30-40-00-00-283-02-51	DEF SIT-Transition Costs-NH	\$ 0
30-40-00-00-283-02-52	DEF SIT-Transaction Costs-NH	\$ 244,336
30-40-00-00-283-02-59	DEF SIT-FASB 158 ADJ -PBOP-NH	\$ 181,196
30-40-00-00-283-02-60	DEF SIT-Pension FAS 158-NH	\$ 643,576
30-40-00-00-283-02-63	DEF SIT-SFAS 158 SERP-NH	\$ 95,577
30-40-00-00-283-02-64	DEF SIT-Insurance Claim Reserve-NH	\$ 516
30-40-00-00-283-11-38	DEF FIT- Bad Debt-NH	\$ 29,439
30-40-00-00-283-11-39	DEF FIT-Accrued Revenue-NH	\$ (496,807)
30-40-00-00-283-11-41	DEF FIT-Prepaid Property Tax-NH	\$ (150,298)
30-40-00-00-283-12-38	DEF SIT-Bad Debt-NH	\$ 11,694
30-40-00-00-283-12-39	DEF SIT-Accrued Revenue-NH	\$ (197,359)
30-40-00-00-283-12-41	DEF SIT-Prepaid Property Tax- NH	\$ (59,706)
30-40-00-00-283-91-59	DEF FIT-SFAS 158 PBOP-NH	\$ 307,177
30-40-00-00-283-91-60	DEF FIT-Pension FAS 158-NH	\$ (122,947)
30-40-00-00-283-91-63	DEF FIT-SFAS 158 SERP-NH	\$ 294,131
30-40-00-00-283-92-59	DEF SIT-SFAS 158 PBOP-NH	\$ 122,028
30-40-00-00-283-92-60	DEF SIT- Pensions FAS 158-NH	\$ (48,841)
30-40-00-00-283-92-63	DEF SIT-SFAS 158 SERP-NH	\$ 116,845
Total 283 NH accounts		<u>\$ 5,116,261</u>

Summary of \$5,116,261 ADIT 283 accounts

Audit verified a total of 34 ADIT general ledger accounts 283. There was one account that ended the year with zero balance. All 34 accounts had activity and summed to a \$5,116,261 ending balance. 17 of the accounts related to Deferred Federal Income Taxes while 17 related to

Deferred State Income Tax. The Deferred Federal Income Tax accounts consist of pension costs, accrued revenue, bad debt, debt discount, retirement, insurance costs, remediation, transition, transaction accelerated depreciation, and deferred rate case expenses. The Deferred State Income Tax accounts consisted of the same as the federal ADIT accounts.

Other Regulatory Liabilities (\$6,608,392) Northern NH

30-40-00-00-254-05-00 Regulatory Liability-FAS 109 Costs	\$36,300
30-40-00-00-254-05-01 Regulatory Liability-Regulatory Liability-ASC 740	(\$8,999,336)
30-40-00-00-283-05-01 Accum Def. (ASC 740) Gross-Up	<u>\$2,427,244</u>
Total Northern NH	(\$6,608,392)
30-50-00-00-254-05-01 Regulatory Liability-ASC 740-ME	(\$12,058,386)
30-50-00-00-254-13-00 Regulatory Liab-Forest Ave Gain	(\$242,039)
30-50-00-00-283-05-01 Accum Def (ASC 740) Gross-up	<u>\$3,382,953</u>
Total Northern ME	<u>(\$8,917,471)</u>
Total Maine and NH	(\$15,525,863)

Audit verified the net credit balance on the 2020 Annual Report of (\$15,525,863) for Northern for the 254 account and lone 283 account. Northern NH was allocated (\$6,608,392). Audit reviewed the calculations provided by the Company. The Company indicated the (\$6,608,392) is the Excess Deferred Income Tax Calculations from the Tax Cuts and Jobs Act, passed in December 2017, using the ARAM method approved by FERC and the IRS in 2018. The Tax Cuts and Jobs Act reduced the federal corporate tax rate from 35% to 21% which required companies to revalue deferred income tax amounts recorded on the balance sheet. Reporting entities that do not apply accounting guidance for regulated operations would record this adjustment in the income tax provision line of the income statement.

Northern, as a regulated utility, does apply the accounting guidance for regulated operations and established a regulatory liability for the effect of the tax rate adjustment, as that amount will ultimately be returned to customers over time using the average rate assumption method (ARAM). ARAM is the prescribed method to refund the excess deferred income taxes based on FERC and IRS guidelines. ARAM regulates the “flow back” of excess deferred income taxes through rates. The Company is proposing to amortize the excess deferral balance back to ratepayers over a 22-year time period.

The 254 Northern NH ASC 740 Regulatory Liability accounts did not have any activity during the test year. The Northern NH 283 ASC 740 Accumulated Deferred Income Tax account did not have any activity during the test year. Both tax accounts were deferred in 2018 to be in compliance with IRS and FERC accounting policies for accounting for the difference between permanent and temporary income tax rates.

The Maine account # 30-50-00-00-254-05-01 Regulatory ASC 740 ME had a beginning balance of (\$12,254,564) and a net \$254,178 in debit activity during the test year. The activity related to ARAM amortization. The account had a 2020 year ending balance of (\$12,058,386).

The Maine account # 30-50-00-00-254-13-00 Regulatory Liability Forest Ave Gain-ME began the 2020 year with a (\$449,519) credit balance. There was \$207,000 in net debit activity during 2020. There were twelve monthly transactions of \$17,290 to amortize the Forest Ave Gain Sale. The Maine account ended 2020 with a (\$242,039) credit balance.

The Maine account # 30-50-00-00-283-05-01 ADIT (ASC) 740 Gross Up ME had a beginning balance of \$3,437,982 and net credit activity of (\$55,028). The activity consisted of Maine ARAM amortization that were the result of the most recent outcome of the Maine rate case. The account had a 2020 year ending balance of \$3,382,953.

See also the Other Regulatory Liabilities within the Debt and Liabilities section of this report.

Overview of Federal/State Income Tax Accounting Process

Each month the Company accrues taxes payable/refundable and the appropriate provision/benefit on the balance sheet and income statement. The Company utilizes the PowerPlan IT system, which includes PowerPlant as the plant in service component of the IT system. PowerTax is the tax calculating component of the IT system. The software is coded to recognize activity in accounts that have different book and tax treatment. Each begins with the book basis noted in the Company's general ledger, and each interfaces with the other. At the year-end NU examines the account maintenance log for new accounts that should be considered in the tax calculations. Adjustments made to figures for tax purposes such as payments made on behalf of OPEB were verified to Flexi screen shots. Flexi is the accounts payable system used by the Company and is tied into the accounts payable general ledger accounts. At year-end NU also performs calculations using current year actual results to true up estimates used during the prior 11 months. Such estimates include tax depreciation and repairs expense.

Tax Law Changes

In December 2017 the Tax Cuts and Jobs Act was signed into law lowering the statutory federal income tax rate from 35% to 21%, effective January 1, 2018. In Accordance with GAAP ASC 740 the Company revalued ADIT based on the new tax law. The Company recorded a net \$15.4 million Regulatory Liability as a result of the ADIT revaluation per the 2020 Annual Report. Based on regulatory guidance from FERC, IRS Normalization Rules, and State Regulators, in the first quarter of 2018 the benefit of excess ADIT was subject to flow back to customers using the Average Rate Assumption Method (ARAM). ARAM reconciles excess ADIT at the reversal rate of the underlying book/temporary differences. The Company indicated the estimated flow back period would be approximately 19 years, per the Giegerich testimony, for the protected and unprotected excess ADIT. The NH liabilities will begin to flow back once the rate case proceedings have been finalized. (DE 21-030 for UES and DG 21-104 for NU-NH)

The Company included ideas as to how the excess ADIT would be refunded to customers. The Giegerich testimony indicates the Company is proposing an annual ARAM flow

back of \$302,218, as seen in filing schedule RevReq 3-18. The Goulding and Nawazelski testimony indicates the Company is proposing to offset the 2021 deferral balance of the Company's property taxes associated with HB 700. Applying the annual excess ADIT flowback for the years 2019-2020 or \$515,202. The Company indicates this would reduce the Company's property tax deferral balance that would have to be recovered as part of the proposed Regulatory Cost Adjustment Mechanism (RCAM) effective November 1, 2022.

In March 2020 the CARES Act was signed into law. The funding package related to Coronavirus relief. The CARES Act made changes to the NOL carryback periods, increases in interest deductibility limitations, AMT Refunds, and employee retention credits (ERC). The ERC is a 50% credit on employee wages for employees who are retained and cannot perform their job duties at 100% capacity as a result of Coronavirus Pandemic restrictions. The ERC is taken as a credit on the 941 Tax Form. In the third quarter of 2020 the Company recorded a \$87,364 reduction in employment tax expense that was recorded to the Taxes Other Than Income Taxes accounts.

Tax Sharing Agreement

As provided in the filing, a Tax Sharing Agreement among the Unitil corporate affiliates was signed on September 10, 1985. Each affiliate is responsible to the consolidated return for its portion of taxes for which it would be responsible, had the affiliate filed a stand- alone return.

Review of Federal Taxes

The Company provided the 2020 Federal Income tax returns. The internal tax schedule 27, supporting the calculations for the 2020 schedule M was provided. Audit was also provided with the 2020 NH Business tax returns.

Review of 2020 Tax Return

Audit reviewed the 2020 federal tax return consolidated group Form 1120 for NU on a separate entity basis (information taken from consolidating income and deductions schedule). The 2020 Federal Return was prepared by Ernst and Young and was filed on October 15, 2021.

Audit verified that the consolidating schedules (which reflect the separate entity activity) and supporting schedules, tied to the consolidated return for 2020.

Review of 2020 Tax Worksheets

The income tax worksheets provided by the Company reflected a breakdown of the total taxable net income, by division. The worksheets provided the reclassifications done by NH, adjustments, the temporary and permanent differences, and reconciled the book income to the taxable income. The Company also provided a reconciliation of the income and expenses

reflected on the tax returns (which tied to the income statement) to the various general ledger accounts.

The timing differences of accelerated depreciation vs. book depreciation are expensed to the 410 tax expense accounts and offset to accounts 281, 282, and 283, deferral accounts. Based on review of the components of the tax worksheets, Audit concludes that the schedule M (of the 2020 return), internal tax walkthrough worksheet is based on the books and records of Northern at 12/31/2020. The corporate tax returns are prepared by Ernst and Young in September of the following year. Once the returns are filed, the Company performs a return to accrual analysis and records adjustments to the Accumulated Deferred Income Tax (281-283 accounts) and Current Tax Prior Periods account 236 for any amounts filed on the tax return that were not considered in the year-end tax provision.

State Business Tax Returns

Unitil Corporation filed its 2020 New Hampshire Business Tax returns as part of a combined (water's edge) return under Unitil Corporation. The return was prepared by Ernst and Young and filed on November 15, 2021. The consolidated federal return reported a consolidated gain of \$25,806,416 per line 28 on the 1120 however because NH is still using the IRC code of 1986 in effect on 12/31/2018 various adjustments totaling (\$17,816,542) were made to the federal income to arrive at the NH combined net gain of \$7,989,874 for 2020.

The combined NH return reflected an Adjusted Gross Business Profit total of (\$7,311,874) (after an add back of taxes of \$678,000) and NH taxable Water's Edge Taxable Business Profits of (\$4,507,902) after applying an apportionment factor of 0.616518. The Combined Business Profits tax rate for 2020 was 7.7% but the Company did not pay NHBPT in 2020 due to credits related to net income.

Breakout of 2020 Business Tax Return

Audit reviewed all of the state tax returns, and summarized the Business Profits Tax and Business Enterprise Tax data for 2020 as follows:

Business Enterprise tax due	\$474,834
Business Profits Tax Due net BET Credit	<u>0</u>
Total Tax Due	\$474,834
Less: Estimated Tax Payments	(\$1,000,000)
Credit carried from prior period	<u>(\$192,872)</u>
Total tax overpayment	(\$718,038)
Amount of Overpayment to credit next year	<u>\$718,038</u>
Amount to be refunded	\$0

The 2020 return indicated that the Company had a Business Enterprise Tax Credit (BETCR) available for carry forward to 2020 and subsequent periods of \$718,038.

Property Taxes

Municipal Property Tax and Abatements

Audit requested and was provided with the municipal property tax invoices from 22 municipalities for second half of 2019, and all of 2020. Audit reviewed the municipalities for compliance with the franchise area, with no exception noted. Audit also reviewed the municipal invoices to ensure the statewide school property tax was not included in the tax bills. The Company indicated if a municipal bill includes a state education tax rate on the property tax bills the Company pays the total bill less the state portion of the rate. The DG 21-123 RCAM Final Audit Report issued on September 29, 2021, indicates there was \$167 in statewide education tax that needs to be removed. The Audit Report indicates this was not made an audit issue because of the relatively immaterial amount.

Brentwood	\$ 0.71
Dover	\$ 2.35
Rollinsford	\$ 43.00
Somersworth	<u>\$121.00</u>

\$167.06 Total Statewide Education Tax per DG 21-123 Audit Report

Audit reviewed the proforma adjustment on the RevReq 3-19 and noted an estimated increase of \$617,939. The proformed figures indicate there is a \$317 adjustment related to exclude a 2019 town of Greenland property tax bill overpayment. The filing also indicates there was a (\$688) abatement for the overpayment of property taxes related to the Town of Newington.

More details on the 2020 \$4,728,528 property tax expense details can be seen in the September 29, 2021, Final Audit Report on the DG 21-123 Regulatory Cost Adjustment Mechanism (RCAM) for the recovery of property taxes. The Report did not identify any issues associated with the municipal or state property tax expense.

There were no tax settlement agreements/abatements for the 2020 test year. More details can be seen in the RCAM DG 21-123 Final Audit Report issued on September 29, 2021.

State Utility Property Tax

Audit reviewed the State Utility Property Tax Bill 2019 and noted the Company paid \$1,161,131 in tax based on a \$175,928,900 property valuation assessment multiplied by the \$6.60 tax rate per \$1,000 in assessed value. The Company made three quarterly estimated tax payments on the 2019 DP-255 of \$281,200 in April, June, and September. In December 2019 Northern paid \$317,531 as a final true up payment.

Audit reviewed the State Utility Property Tax Bill 2020 and noted the Company paid \$1,235,986 in tax based on an assessed value of \$187,270,600. The Company made three quarterly estimated tax payments on the 2020 DP-255 of \$319,311 in April, June, and September. The Company, in December 2020, paid \$278,053 as a final true up payment.

The Utility Property Tax is due annually on or before January 15. Estimates based on the tax for the preceding year are due on April 15, June 15, September 15, and December 15. Audit reviewed the Utility Property Tax Return (Form DP-255) for tax year 2019 and 2020.

Taxes Other Than Income

The 2020 Annual Report Income Statement for Northern NH reflects total tax expenses of \$4,867,774. The total was verified to the general ledger and Filing Schedule 1. There were 48 total accounts of which 40 accounts did not have any activity/zero balance. There were 8 GL accounts with activity during the test year.

FICA-NH	30-40-03-00-408-03-10	\$ 224,247
Federal Unemployment-NH	30-40-03-00-408-04-10	\$ 1,639
State Unemployment-NH	30-40-03-00-408-06-11	\$ 1,135
NH Surplus Lines Tax	30-40-10-00-408-02-10	\$ 10,372
NH Business Enterprise	30-40-10-00-408-02-18	\$ 63,600
Local Property Taxes-NH	30-40-10-00-408-10-00	\$4,729,264
Local Property Abatements	30-40-10-00-408-12-01	\$ (688)
Payroll Taxes Capitalized	30-40-10-00-408-10-00	<u>\$ (161,795)</u>
Total Tax Other Than Income, 2020 Annual Report		\$4,867,774 Per Filing Sch. 1

For the FICA, Federal Unemployment, State Unemployment and Payroll Taxes please see the Payroll section of the Audit Report.

The Company booked \$10,372 to the NH Surplus Lines Tax. This is a tax on the Company’s Cyber Insurance, Director and Officer, and Excess Liability insurance premium policies. The Company used Lockton as the insurance broker to purchase the policies through AEGIS Insurance Services Inc. The 30-40-10-00-408-02-10 account had net debit activity of \$10,372 during the test year. The surplus lines tax was allocated 19.03% to NU-NH, with the remainder allocated among UES, NU-ME, FGE, GSGT, Unutil Realty, and USC.

The Company booked \$63,600 to the 30-40-10-00-408-02-18 NH Business Enterprise Tax account. The account had twelve credit entries of \$5,300 per month to end the year with a \$63,600 ending balance.

The Company booked \$4,729,264 to the 30-40-10-00-408-10-00 Local Property Taxes-NH account. This account consists of municipal and statewide property tax expense for the 2020 test year. The account activity had \$5,743,695 in debits for the year and \$1,014,431 in credits to end the year with a \$4,729,264 test year ending balance. See the September 29, 2021, Final Audit Report on the DG 21-123 Regulatory Cost Adjustment Mechanism (RCAM) for the recovery of property taxes. The Report did not identify any issues associated with the municipal or state property tax expense.

The Company booked one entry only, (\$688) to the 30-40-10-00-408-12-01 Local Property Tax Abatements account. The entry that was for an abatement from the town of Newington.

The Company booked (\$161,795) in capitalized payroll taxes to the 30-40-10-00-408-10-00 account. The account activity had \$12,138 in debits for the year and (\$173,933) in credits to end the year with a \$(161,795) test year ending balance. The activity related to capitalized payroll taxes on employee labor for plant projects.

Each account balance was individually verified to the 2020 Annual Report pages 25 and 26, Taxes Charged and Adjustments during the year.

Federal and State Income Taxes

The 2020 Annual Report for Northern NH reflects total tax expenses of (\$414,855) on page 11 lines 13 and 14. The total was verified to the following general ledger accounts and the Filing Schedule 1, page 2 of 12. Below is a review of the four accounts that had any activity during the test year.

Federal Income Tax Current-Gas-NH	30-40-10-00-409-01-30	(\$30,211)
State Income Tax-Cur BPT NH	30-40-10-00-409-02-30	(\$384,644)
Total Federal and State Income Tax per Filing Schedule 1, Pg 2 of 12		(\$414,855)
Fed Income Tax Non-Oper-NH	30-40-10-00-409-01-32	\$10,582 pro forma
State Income Tax-Non-Oper-NH	30-40-10-00-409-02-32	\$4,204 pro forma
Total Taxes Charged per Annual Report Page 12 lines 51 and 52		(\$14,786)
	NET	(\$400,069)

The two non-operating tax accounts were noted on the 2020 Annual Report Income State for Northern NH breakout as a below-the-line expense.

The total (\$400,069) was noted on the Filing Requirements, Schedule RevReq 3-21 page 3 of 4 as the sum of (\$19,629) and (\$380,440). Included in the total is the Non-operating account total \$14,786. The pro forma noted in the RevReq 3-21 represents the Federal/State Income Tax Non-Operating identified above.

The Company booked (\$30,211) in Federal Income Tax Expense to the 30-40-10-00-409-01-30 account. The account activity had \$5,735,828 in debits for the year and \$5,786,039 in credits to end the year with a \$(30,211) test year ending balance. Audit reviewed the 2020 federal tax return and supporting tax worksheets that were filed on October 15, 2021, to verify the federal income tax expense.

The Company booked (\$384,644) in NH Business Profits tax to the 30-40-10-00-409-02-30 account. The account activity had \$1,741,522 in debits for the year and \$2,126,166 in credits to end the year with a \$(384,644) test year ending balance. Audit reviewed the 2020 state tax

return and supporting tax worksheets that were filed on November 15, 2021, to verify the state income tax expense.

The Company booked \$10,582 in federal non-operating plant federal tax adjustments to the 30-40-10-00-409-01-32 account. The account activity had \$29,055 in debits for the year and \$18,473 in credits to end the year with a \$10,582 test year ending balance. These are the taxes on the below the line activity on the non-operating activity on the income statement. These tax adjustments are accrued at a 21% rate on the activity.

The Company booked \$4,204 in federal non-operating plant state tax adjustments to the 30-40-10-00-409-02-32 account. The account activity had \$11,542 in debits for the year and \$7,339 in credits to end the year with a \$4,204 test year ending balance. These are the taxes on the below the line activity on the non-operating activity on the income statement. These tax adjustments are accrued at a 7.7% rate on the activity.

Deferred Income Taxes

The 2020 Annual Report Income Statement for Northern NH reflected a Deferred Income Tax expense figure of \$2,600,179. The total was verified to the general ledger and the Filing Schedule 1. There were 14 GL accounts for Northern NH. Below is a review of the accounts that had activity during the test year:

Account	Account Description	Amount
30-40-10-00-410-01-30	DEF FIT Exp.-Accel. Dep-NH	\$ 1,171,764
30-40-10-00-410-01-34	DEF FIT Exp.-SFAS 106-OPEB-NH	\$ (17,924)
30-40-10-00-410-01-35	DEF FIT Exp.-Pension FAS 87-NH	\$ 8,977
30-40-10-00-410-01-38	DEF FIT Exp.-Bad Debt-NH	\$ (15,772)
30-40-10-00-410-01-39	DEF FIT Exp.-Accrued Revenue-NH	\$ 567,686
30-40-10-00-410-01-45	DEF FIT Exp.-Remediation-NH	\$ (74,991)
30-40-10-00-410-01-64	DEF FIT Exp.-Misc.-NH	\$ -
30-40-10-00-410-02-30	DEF SIT Exp.-Accel. Dep-NH	\$ 774,540
30-40-10-00-410-02-34	DEF SIT Exp.-SFAS 106-OPEB-NH	\$ (7,121)
30-40-10-00-410-02-35	DEF SIT Exp.-Pension FAS 87-NH	\$ 3,559
30-40-10-00-410-02-38	DEF SIT Exp.-Bad Debt-NH	\$ (6,265)
30-40-10-00-410-02-39	DEF SIT Exp.-Accrued Revenue-NH	\$ 225,516
30-40-10-00-410-02-45	DEF SIT Exp.-Remediation-NH	\$ (29,791)
30-40-10-00-410-02-64	DEF SIT Exp.-Misc.-NH	\$ -
Total Northern NH		\$ 2,600,179

Audit reviewed the 14 Deferred Income Tax accounts. Seven of the accounts related to deferred federal income taxes and 7 to deferred state income taxes. The account activity was similar for both accounts such as bad debt, remediation, pensions, accrued revenue, accelerated depreciation, and miscellaneous costs.

Audit verified the net changes to the balance sheet (accounts #283) were included in the calculation using the PowerTax software, to prepare the schedule M of the Federal income tax form, as well as the state tax forms. Deferred Taxes on the Northern NH Excel Balance sheet provided to Audit were:

Accumulated Deferred Income Taxes-Other Property (283)	(\$22,009,122)	2 accounts
Accumulated Deferred Income Taxes-Other (283)	<u>\$5,116,261</u>	34 accounts
Total Accumulated Deferred Income Taxes per FERC	(\$16,892,861)	

Audit Issue # 1 **Odorizer Spare Parts**

Background

The Company replaced an odorizer.

Audit Issue

The Company, on work order N-008070-00183448 net of a September 2019 AFUDC reversal, booked \$68,980 to plant in service, but did not retire an old odorizer from Plant in Service that is being kept as a spare part. Since the odorizer is being kept as a spare part the odorizer should be considered an inventory item.

Audit Recommendation

The Company should remove the spare odorizer from the Plant in Service on the filing schedules and perform any adjusting entries moving it from Plant in Service to an Inventory item.

Company Comment

The Company has reviewed its accounting records and determined that the original odorizer is not in the Company's books and there is no amount currently recorded in plant in service that should be reclassified to inventory.

Audit Response

While Audit appreciates the Company's Comment, Audit had directly asked why the original odorizer had not been retired or moved from Plant in Service to the Inventory account, when Audit was told that it was being held as a spare. The response was that the odorizer is still capitalized on the books and included in Plant in Service. Based on the response to Audit's question, then the response to this issue, it is unclear if the odorizer was retired, or moved to the Inventory account, or when the general ledger posting may have taken place.

Audit Issue #2
Annual Reporting of the Accumulated Deferred Income Taxes (ASC 740)

Background

The annual report balance for account #254, Other Regulatory Liabilities, totaled \$(15,525,863). Audit confirmed the Other Regulatory Liabilities total to the sum of the following general ledger accounts:

NH Division

30-40-00-00-254-05-00 Regulatory Liability-FAS 109 Costs – NH	\$ (36,300)
30-40-00-00-254-05-01 Regulatory Liability - ASC 740 – NH	(8,999,336)
30-40-00-00-283-05-01 Accumulated Deferred Income Taxes (ASC 740) Gross-Up	<u>2,427,244</u>
Total NH Annual Report Other Regulatory Liabilities	\$ (6,608,392)

ME Division

30-50-00-00-254-05-01 Regulatory Liability-ASC 740 – ME	\$(12,058,386)
30-50-00-00-254-13-00 Regulatory Liability – Forrest Ave Gain	(242,039)
30-50-00-00-283-05-01 Accumulated Deferred Income Taxes (ASC 740) Gross-Up	<u>3,382,954</u>
Total ME Annual Report Other Regulatory Liabilities	\$ (8,917,470)

Rounded Total Annual Reporting of Other Regulatory Liabilities \$ (15,525,863)

Issue

The ASC 740 gross-up, account #283, is included within the #254 accounts on the annual report, instead of the related line for accounts #281-283.

Recommendation

The annual reporting for the ASC 740 gross-up, account #283, should be listed on the related line for the Accumulated Deferred Income Taxes, accounts #281-283.

Company Response

The Company presents the ASC 740 gross-up account in the same financial statement line item, Other Regulatory Liabilities, as the ASC 740 regulatory liability account that requires the gross-up amount.

Audit Conclusion

Audit understands the reflection of the ASC 740 as a Regulatory Liability and suggests renumbering the account to a -254 account. Inclusion of the -283 account on the NH PUC Annual report on the account line 254 is the issue at hand.

Audit Issue #3 Expenses Outside of the Test Year

Background

Audit reviewed all Operations and Maintenance expense accounts to determine that the expenses reflected proper amounts and allocations for the test year.

Issue

Audit reviewed and invoice for Pixel and Pulp in the amount of \$3,770. \$754 of the total was charged to account 30-40-24-00-913-53-00, Customer Communication. The actual invoice noted the charges were for the January and February Newsletters and stock photos. The invoice was dated 12/18/2020 and due 1/17/2021.

Recommendation

Audit recommends account 913 be reduced by \$754.

Company Response

The Company acknowledges the invoice in question was for January and February 2021. The Company would also note that in December 2019, the Company paid an invoice from Pulp and Pixel in the amount of \$3,750, of which \$787.50 was charged to account 30-40-24-00-913-53-00, Customer Communication. This invoice noted the charges were for the January and February 2020 Newsletters and stock photos. The invoice was dated 12/17/2019 and due 1/16/2020.

Because the above invoice was posted in 2019 and the invoice noted by Audit was posted in 2020, there are 12 months of activity in the test year. Aligning the invoices to the actual period the costs represented would result in an adjustment increasing the test year expense by \$33.50 ($\$787.50 - \$754.00 = \33.50).

Audit Response

Audit appreciates the Company Response, and agrees that the test year expense adjustment would be immaterial.

Audit Issue #4 Expense Account Overstated

Background

Audit selected one invoice from account 923 was reviewed in the amount of \$6,925 from OnSolve. The invoice is the Emergency Alert System (EAS) and Mobile Services from March 5, 2020 through March 4, 2021.

Issue

\$1,385 of the invoice was booked to account 30-40-22-00-923-15-00, OS-Emergency Management & Compliance. 20% of the invoice was booked to NU-NH. Per the Cost Allocation Manual, it appears that 19%, or \$1,315.75, should have been booked to this account.

Recommendation

Audit recommends removing the difference of \$69.25 from the test year expense total.

Company Response

The Company agrees with the inadvertent allocation issue described above and will reduce test year O&M by \$69.25.

Audit Response

Audit concurs with the Company Response, and as noted in Audit Issue #3, acknowledges that the amount is immaterial.

Audit Issue #5 Supplemental Executive Retirement Plan

Background

Unitil Service Company provides a non-qualified defined benefit plan for certain executives selected by the Board of Directors. The plan was closed to new participants in 2018, and currently provides benefits to four retired executives, with two active executives currently eligible.

Issue

As noted in the direct testimony of Closson and Conneely at Bates 000258 – 000259 *“Unitil Service also maintains a Supplemental Executive Retirement Plan (“SERP”), a non-qualified defined benefit plan which is self-funded. The SERP is designed to encourage service by the participating executives until retirement and to then provide a retirement benefit which, when added to other retirement income of the executive, will ensure a competitive level of retirement income when compared to other utilities. The SERP is a component of executive compensation that was evaluated in the Towers Watson 2019 compensation study and determined to be competitive with the peer group. Eligibility for participation in the Plan was limited to executives selected by the Board of Directors; the SERP was closed to new participants in 2018. Currently, the SERP provides benefits to four retired executives while two active employees are currently eligible.”* (underline added).

Recommendation

Audit believes that the shareholders and not the ratepayers should bear the burden of this incentive plan. As identified in the DE 21-030 Audit report, Audit believes that the closure of the plan confirms that the plan is, indeed, supplemental, thus should not be paid by ratepayers. It is also understood that Unitil disagrees with Audit’s interpretation.

Company Response

The Company disagrees and disputes that the closure of the plan confirms it is supplemental. The SERP was offered to select executives to ensure competitive payment of retirement income in order to attract, retain and motivate these employees designated by the Board of Directors. Beginning in 2019, a Non-Qualified Deferred Compensation Plan (NQDC Plan) was opened for qualifying employees and is a mutually exclusive plan from the SERP. That is, the NQDC Plan is open to certain qualifying employees that do not participate in the SERP. The Company believes that it must be able to pay its employees reasonable market level compensation so that it can meet the Company’s service obligation to customers and that the Company’s overall compensation, including incentive and supplemental compensation through the SERP and NQDC Plan, is consistent with that objective.

Audit Response

As identified in the Unitil Energy Systems, Inc. audit report related to docket DE 21-030, Audit does appreciate the input from the Company, and encourages the shareholders to bear the cost of these supplemental executive benefit plans.

Audit also encourages the Department of Energy Regulatory Staff and the Company to determine the appropriateness of any ratepayer vs. shareholder responsibility of paying for the supplemental plans, and ensure that any conclusions reached are so noted in potential settlement agreement documentation.

Audit Issue #6 Payroll Taxes

Background

Audit requested and reviewed the W-3 Transmittal of Wage and Tax Statement; Form 940, Employer's Annual Federal Unemployment Tax Return (FUTA); Form 941, Employer's Quarterly Federal Tax Return and the State Unemployment Insurance (SUI).

Issue

Due to Northern Utilities being both a New Hampshire and Maine entity, the federal payroll tax forms include the total of both states.

Audit requested, and was provided, the two payroll registers for each state. Audit summed the totals from the year-end payroll registers and was unable to tie to amounts to Form 940 and Form 941.

Audit understands that the Company has been working diligently trying to obtain answers from ADP and other sources to assist in reconciling the payroll registers to Form 940 and Form 941.

Recommendation

As noted above, Audit appreciates the effort the Company has made trying to provide answers to the above questions. However, Audit reminds the Company that the accuracy of the payroll tax returns ultimately resides with it. Audit requests the clarification documents if and when the Company receives them from ADP.

Company Response

The Company acknowledges Audit's recommendation, and will provide a reconciliation and/or any further clarification as soon as it is available.

Audit Response

Audit agrees with the Company Response, and will periodically check with the Company regarding the reconciliation.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-18

Date of Response: 2/10/22
Witness: Daniel J. Hurstak

REQUEST:

Lead-Lag Study. The composite revenue lag reflects 1.79 days for “float”, the time between when customer payments are received and when customer payments are available to the Company. In developing the lead-lag factors on the expense side, how did the Company incorporate this same concept? In other words, what do the vendor payment dates in the study reflect—the date the Company sent the payment or when the funds were debited from the Company’s bank account?

RESPONSE:

As noted in the Company’s testimony, “Expense lag is the number of days between the receipt of goods or services provided to the Company by vendors and payment for such goods or services by the Company.” See Exhibit DJH-1 at Bates Page 000398. The Company issues payments to vendors via multiple payment types including checks, ACHs, and wires. The pay dates utilized in this Lead Lag study represent the Company’s determination of the timing of payments to vendors based on readily available information. For example, the funds for the September 26, 2020 weekly payroll expense, which is payable to employees on October 1, 2020, were wired to the payroll service provider on September 30, 2020 (the date that is used in the calculation of the expense lead lag days, see Exhibit DJH-3, page 41 of 139). In this example, there is no lag between the date that the Company makes the payment to the vendor and the date that the funds are unavailable to the Company.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-19

Date of Response: 2/10/22
Witness: Daniel J. Hurstak

REQUEST:

Lead-Lag Study. The computed lag for Labor – Direct decreased from 18.30 days in DG 17-070 to 13.62 days in the instant case. Explain the underlying changes in the Company's operations and/or payroll processes driving this change.

RESPONSE:

There were no significant changes in the Company's operations and/or payroll processes.

In DG 17-070, the calculation included a line item for "Vacation Payroll O&M" which was not a component of the calculation in DG 21-104. If that component were not included in DG 17-070, the calculated lag days would have been 13.53 vs. 13.62 days in DG 21-104.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-20

Date of Response: 2/10/22
Witness: Daniel J. Hurstak

REQUEST:

Lead-Lag Study. The lag for Regulatory Commission expense decreased from 21.91 days in DG 17-070 to 1.8 days in the instant case. On what dates are the quarterly assessments due?

RESPONSE:

The assessment invoices from the NHPUC state *“Pursuant to RSA 363-A:4, the Public Utilities Commission may add a late penalty fee to the utility assessment. If payment is not made within 30 days from the receipt of this bill, you may be liable for interest charges of 1% (12% per annum).”*

Referring to Bates 000489, the quarterly assessments were paid as follows:

<u>Invoice Date</u>	<u>Paid Date</u>	<u>Days Between Invoice and Paid Date</u>
1/9/20	2/6/20	28
4/10/20	5/7/20	27
8/19/20	9/17/20	29
10/14/20	10/22/20	8

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-25

Date of Response: 2/10/22
Witness: Daniel J. Hurstak

REQUEST:

Lead-Lag Study. The Property Tax lead computed at Bates 000519 through 000531 decreased from (6.36) days in DG 17-070 to (20.91) days in the instant case. Have the statutory due dates changed since the last study? Provide the statutory due date associated with each payment.

RESPONSE:

The Company is not aware of any changes to the statutory due dates since DG 17-070. The Company continues to pay property taxes based on the due dates provided by the towns and cities in its service territory.

In DG 17-070, the service period used for the City of Dover, the City of Portsmouth and the Town of Brentwood was 7/1/## to 7/1/##, which corresponds to the fiscal year for those cities and towns. In DG 21-104, the service period used for the City of Dover, the City of Portsmouth and the Town of Brentwood was 4/1/## to 4/1/##, which corresponds to the tax year for those cities and towns.

If the tax year was used for the service period for the City of Dover, the City of Portsmouth and the Town of Brentwood in DG 17-070, then the lead days would have increased from (6.36) to (27.27) days. If that change was made in DG 17-070, then the lead days of (20.91) in DG 21-104 would be approximately 6 days less than in DG 17-070.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-22

Date of Response: 2/10/22
Witness: Daniel J. Hurstak

REQUEST:

Lead Lag Study. The testimony at Bates 000404 states, “The sampling method used was a random sequential sample of the population using three strata.... The resulting sample, which accounted for 22.98% of the dollars in the population, indicated a lag of 31.70 days.” Explain how the Company determined 22.98% to be a statistically significant coverage ratio.

RESPONSE:

The Company believes that its sample size representing 22.98% of the dollars in the population is sufficient for purposes of this lead lag study.

- The sample size is comparable to 19.94% of the dollars in the population in the recently completed lead lag study for Unitil Energy Systems, Inc. (DE 21-030).
- As shown at Bates 000503, the Company’s strata included 100% of the largest invoices which represented 16.03% of the dollars in the population.
- As shown at Bates 00503, the lag days of 31.70 are primarily driven by the calculated lag days from Stratum 1 and 2. The Company does not believe that expanding the sample size in Stratum 2 and 3 would have resulted in a materially different calculation of overall lag days.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-23

Date of Response: 2/10/22
Witness: Daniel J. Hurstak

REQUEST:

Lead Lag Study. The testimony at Bates 000405 states, “Two invoices greater than \$10,000 were determined to be outliers and not representative of the Other O&M expense population. These invoices were for IRP related work that was performed in June and July 2019 but not paid until March 2020.” Explain the facts and circumstances related to the two instances. Provide copies of the two invoices, service dates, and payment dates.

RESPONSE:

Concentric Energy Advisors provided professional services during the months of June 2019 and July 2019 related to Northern’s Integrated Resource Plan (IRP) that was filed with the NHPUC on July 19, 2019. As these services were not recurring services, invoices from Concentric Energy Advisors were initially inadvertently overlooked and not processed for payment. Concentric Energy Advisors subsequently contacted the Company in 2020 providing notice to the Company that these invoices were unpaid and the Company promptly paid them at that time.

The IRP related invoices are provided as Energy TS 1-23 – Attachment 1 Confidential.

Unitil Energy Systems, Inc.
Docket No. DE 21-030
DOE Data Requests – Set 5

Date Request Received: 09/02/2021
Request No. DOE 5-10

Date of Response: 09/17/2021
Witness: J. Closson / J. Conneely

REQUEST:

Incentive Plans. Reference Puc 1604.01(a) Unitil Corporation Second Amended and Restated 2003 Stock Plan.

- a. Who participates in the Stock Plan?
- b. How much has the Company included in its rate request for the Stock Plan?

RESPONSE:

- a. Key management employees of the Corporation are selected by the Compensation Committee of the Board of Directors of the Company to participate in the Stock Plan.
- b. Please refer to Staff DOE 5-10 Attachment 1, which reflects \$434,486 of Restricted Stock expense included in the Company's rate request. The Restricted Stock costs are not included in the test year payroll amounts. These costs have not been adjusted for annual payroll increases. These costs are charged to UES through the USC billing process.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-16

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

REQUEST:

Unitil Services' Restricted Stock Incentive Comp.: Reference Closson/Conneely Testimony, Bates 293. Please provide these items:

- a. The amount awarded and amount paid in the test year and each of the three preceding calendar years
- b. The amount that is reflected in the Company's rate request
- c. The performance objectives, relevant weights assigned to each objective, and performance standards that drive awards from the Unitil Service Incentive Plan for 2020 and 2021
- d. The actual performance to the performance objectives for 2020 and 2021
- e. A list of who participates in the plan and how much each individual was awarded for 2020

RESPONSE:

- a. Please see Energy 4-16 Attachment 1.
- b. Please refer to Energy 4-16 Attachment 3, which reflects \$297,095 of Restricted Stock expense included in the Company's rate request. The Restricted Stock costs are not included in the test year payroll amounts. These costs have not been adjusted for annual payroll increases. These costs are charged to NUNH through the USC billing process.
- c. Please see Energy 4-14 Attachment 2.
- d. Please see Energy 4-14 Attachment 3.
- e. Please see Energy 4-16 Attachment 2 CONFIDENTIAL.

Northern Utilities, Inc.
DG 21-104
Energy 4-16 Attachement 1
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Restricted Stock Awards

	2020	2019	2018	2017
Amount Expensed	\$2,185,281	\$2,275,037	\$2,113,214	\$2,652,855

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-14

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

REQUEST:

Incentive Comp.: Reference Closson/Conneely Testimony, Bates 293. Please provide the following items:

- a. A copy of the Unutil Service Incentive Plan in which nonunion, non-management employees are eligible to participate
- b. The amount awarded and amount paid in the test year and each of the three preceding calendar years
- c. The amount that is reflected in the Company's rate request
- d. The performance objectives, relevant weights assigned to each objective, and performance standards that drive awards from the Unutil Service Incentive Plan for 2020 and 2021
- e. The actual performance to the performance objectives for 2020 and 2021

RESPONSE:

- a. Please see Energy 4-14 Attachment 1.
- b. Please see below for gross (prior to capitalization) bonus/incentive comp amounts awarded in the test year and the preceding three years for both the incentive comp and management incentive comp plans. Please note that the Officer and Service Company provided amounts reflect total Service Company bonus/incentive comp amounts and not the amounts allocated to Northern Utilities, Inc. New Hampshire division.

The payout in 2021 as reflected below relates to the 2020 incentive compensation plan year. The payout in 2020 as reflected below relates to the 2019 incentive compensation plan year, etc. In addition, the amounts below reflect cash payments and not how the Company accrued for incentive compensation in the test year, which for 2020 was to target, or 100%.

Year Paid:	2021	2020	2019	2018	2017
Management Incentive Comp - USC	\$842,253	\$1,334,389	\$1,479,261	\$1,594,606	\$1,465,194
Incentive Comp – NUNH	\$54,477	\$77,376	\$88,238	\$80,942	\$79,684
Incentive Comp – USC	\$1,961,697	\$3,173,326	\$2,883,388	\$2,840,189	\$2,512,848

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-14

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

- c. Please see Energy 4-14 Attachment 4.
- d. Please see Energy 4-14 Attachment 2.
- e. Please see Energy 4-14 Attachment 3.

**UNITIL CORPORATION INCENTIVE PLAN
(amended and restated as of January 27, 2015)**

The purpose of the Unitil Corporation Incentive Plan (the "Plan") is to provide employees of Unitil Corporation and its subsidiaries identified on Exhibit A attached hereto (collectively, the "Corporation") with significant incentives related to the performance of the Corporation and thereby to motivate them to maximize their efforts on the Corporation's behalf. The Plan is further intended to provide the Corporation's employees with competitive levels of total compensation when considered with their base salaries.

I. PARTICIPATION

All employees of the Corporation who are not selected by the Compensation Committee (the "Committee") of the Corporation's Board of Directors (the "Board") to participate in the Unitil Corporation Management Incentive Plan shall participate in the Plan (each such participating employee, a "Participant"); provided, however, that employees of the Corporation whose employment is covered by a collective bargaining agreement in effect between the Corporation and a union shall not participate in the Plan unless the participation of such employees is provided for under the terms of such collective bargaining agreement.

II. TARGET INCENTIVE AWARD

The Committee shall establish an individual targeted award (the "Target Incentive Award") under the Plan for each Participant for each Performance Period (as such term is used below), expressed as a percentage of the Participant's base salary (prior to reduction under the Corporation's 401(k) retirement plan or cafeteria plan, "Base Salary") earned during the applicable Performance Period. The Target Incentive Awards for all Participants for the applicable Performance Period shall be documented.

III. PERFORMANCE PERIOD

The Performance Period is the period during which performance will be measured for determining the amounts of Participants' awards under the Plan ("Incentive Awards"). The Performance Period for the Plan shall be the calendar year.

IV. PERFORMANCE OBJECTIVES

Prior to the beginning of each Performance Period, or as soon thereafter as practicable, the Committee shall establish, based in part upon the recommendations of the Corporation's Chief Executive Officer (the "CEO"), objectives for the performance of the Corporation for such Performance Period deemed necessary for the Corporation to achieve its strategic plans ("Performance Objectives"), the achievement of which or failure to achieve will result in the payment or nonpayment of Incentive Awards, as described in Section VIII (Determination of Incentive Awards.) The Performance Objectives for the applicable Performance Period shall be documented.

V. PERCENTAGE WEIGHTING

Coincident with the establishment of the Performance Objectives for a particular Performance Period, the Committee shall, based in part upon the recommendations of the CEO, determine the relevant weights (the "Percentage Weightings") to be assigned to each of the Performance Objectives established for such Period, based on the relative impact of each Performance Objective on the Corporation's performance. The Percentage Weightings for the applicable Performance Period shall be documented.

VI. PERFORMANCE STANDARDS

Prior to the beginning of each Performance Period, or as soon thereafter as practicable, the Committee shall, based in part upon the recommendations of the CEO, establish the Performance Standards for each Performance Objective. The Performance Standards for such Performance Period shall be documented. Performance Standards shall be set for the following three levels of achievement - "Threshold," "Target" and "Maximum."

- A. **Threshold:** The minimum level of performance required for an Incentive Award to be paid. No Incentive Award shall be paid for performance below this level. Achievement of the Threshold level shall result in a payment equal to 50% of the amount of the Target Incentive Award for the Performance Objective, as adjusted by the applicable Percentage Weighting.
- B. **Target:** The expected level of performance required, for which an Incentive Award in an amount equal to 100% of the Target Incentive Award shall be paid for the Performance Objective, as adjusted by the applicable Percentage Weighting.
- C. **Maximum:** The maximum level of performance, for which an Incentive Award in an amount equal to 150% of the amount of the Target Incentive Award shall be paid for the Performance Objective, as adjusted by the applicable Percentage Weighting. Achievement of a result greater than the Maximum level shall not increase the amount of the Incentive Award.

VII. CONTROLLING THRESHOLD(S)

The Committee may, based in part upon the recommendations of the CEO, establish minimum organization performance level(s) for each Performance Period ("Controlling Threshold(s)") that must be satisfied by the Corporation for Incentive Awards to be paid; provided, however, that a Controlling Threshold need not be established for any particular Performance Period. The Controlling Threshold(s) for the applicable Performance Period shall be documented.

VIII. DETERMINATION OF INCENTIVE AWARDS

As soon as practicable following the completion of a Performance Period, the Committee shall determine the degree of satisfaction of the Performance Objectives and the amounts of the Incentive Awards payable in accordance with the Plan, if any. The amount of the Incentive Award earned by each Participant shall depend upon the degree of achievement of the

Performance Standards for each Performance Objective and the Percentage Weighting assigned thereto. If an achievement level falls between the Threshold and Target levels or between the Target and Maximum levels, the Incentive Award shall be linearly extrapolated between the two levels. Award calculations will be applied to Base Salary earned during the applicable Performance Period. Subject to the payment limitations as described in Section X (Payment of Incentive Awards) and notwithstanding anything else to the contrary contained in the Plan, the Committee shall have absolute discretion with respect to the payment of Incentive Awards, including but not limited to the amount to be paid and whether or not payment will be made, on the basis of business conditions.

IX. PLAN ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall, in its sole discretion, interpret the Plan, prescribe, amend and rescind any rules and regulations necessary or appropriate for administration of the Plan and make such other determinations and take such other actions as it deems necessary or advisable for such purposes. Any interpretation, determination or other action made or taken by the Committee shall be final, binding, and conclusive. The Committee may rely upon the advice, counsel, and assistance of the CEO in performing its duties under the Plan.

X. PAYMENT OF INCENTIVE AWARDS

Payment of each Participant's Incentive Award shall be made as soon as practicable following the end of the applicable Performance Period, but not prior to January 1 or later than March 15 of the calendar year following the Performance Period (the "Incentive Award Payment Date"); provided, however, that notwithstanding anything to the contrary contained in the Plan, no Incentive Award shall be paid to any individual who is not employed by the Corporation on the applicable Incentive Award Payment Date, unless due to the individual's death, disability (entitlement to benefits under the Corporation's Long-Term Disability Plan, "Disability") or retirement at or after attaining age 55. Incentive Award payments made due to the Participant's death, Disability or retirement at or after attaining age 55 shall be made on the applicable Incentive Award Payment Date. All Incentive Awards shall be paid in a lump sum in cash, less any amounts required for federal, state and local income and payroll tax withholdings.

XI. DISCIPLINARY ACTION

Notwithstanding anything to the contrary contained in the Plan, a Participant whose performance rating for a Performance Period is "Does Not Meet Expectations" (pursuant to the Corporation's Salary Administration Policy) shall not receive an Incentive Award for such Performance Period.

XII. TERMINATION OF EMPLOYMENT

If a Participant ceases to be employed by the Corporation (a) by reason of his death, Disability or retirement at or after attaining age 55, the Participant's Incentive Award for the Performance Period in which his employment terminates shall be calculated using the Participant's Base Salary earned prior to his termination of employment, or (b) other than by reason of his death, Disability or retirement at or after attaining age 55, the Participant's Incentive Award for the Performance Period in which his employment terminates shall be forfeited.

XIII. FUNDING

No funds shall be set aside or reserved for payment of Incentive Awards under the Plan, and all obligations of the Corporation under the Plan shall be unfunded and shall be paid from the general assets of the Corporation.

XIV. NOT EXCLUSIVE METHOD OF INCENTIVE

The Plan shall not be deemed to be an exclusive method of providing incentive compensation for employees of the Corporation nor shall it preclude the Board from authorizing or approving other forms of incentive compensation therefor.

XV. NO RIGHT TO CONTINUED PARTICIPATION

Participation in the Plan by an employee in any Performance Period shall not be held or construed to confer upon such employee the right to participate in the Plan in any subsequent Performance Period.

XVI. NO RIGHT TO CONTINUED EMPLOYMENT

None of the establishment of the Plan, participation in the Plan by a Participant, the payment of any Incentive Award hereunder or any other action pursuant to the Plan shall be held or construed to confer upon any employee the right to continue in the employ of the Corporation or affect any right which the Corporation may have to terminate at will the employment thereof.

XVII. NONTRANSFERABILITY OF AWARDS

Except by operation of the laws of descent and distribution, no amount payable at any time under the Plan shall be subject to alienation by anticipation, sale, transfer, assignment, bankruptcy, pledge, attachment, charge or encumbrance of any kind nor in any manner be subject to the debts or liabilities of any person, and any attempt to so alienate or subject any such amount shall be void.

XVIII. AMENDMENT AND TERMINATION

The Board may amend or terminate the Plan at any time; provided, however, that no amendment or termination of the Plan shall adversely affect the entitlement of a Participant to payment of any Incentive Award which has been determined by the Committee prior to such amendment or termination, although the Board may amend or terminate the rights of any Participant under the Plan at any time prior to the determination of the amount of the Incentive Award to be paid thereto for a Performance Period.

XIX. EFFECTIVE DATE

The Plan shall be effective January 27, 2015, and shall continue in effect until terminated by the Board.

Northern Utilities, Inc.

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Exhibit A
Participating Subsidiaries

Unitil Energy Systems, Inc.

Fitchburg Gas and Electric Light Company

Unitil Service Corp.

Usource LLC

Northern Utilities, Inc.

Granite State Gas Transmission, Inc.

Northern Utilities, Inc.
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2021 Incentive Plan Goals

Measure	Goal	Weight
Earnings Per Share ⁽¹⁾	Threshold – \$2.21 Target – \$2.33 Maximum – \$2.45	.40
Gas Safety – Response to Odor Calls ⁽²⁾	84% – 86% – 88%	.10
Electric Reliability – SAIDI Minutes ⁽³⁾	158 – 122 – 85	.10
Customer Satisfaction ⁽⁴⁾	Threshold – Target minus 5% Target – National benchmark Maximum – Target plus 5%	.10
O&M Cost Per Customer ⁽⁵⁾	<u>Electric</u> \$339 – \$326 – \$314 <u>Gas</u> \$459 – \$437 – \$415	.30

- (1) – Target set based on approved budget. Threshold and Maximum equal to +/- 5% of Target.
- (2) – Target set based on a best in class 30-minute response standard based on a three-year historical trend.
- (3) – Target set at the rolling 5-year average of the *median* of peer group reliability based on the national IEEE benchmarking survey.
- (4) – Measured against same-year national benchmark for residential customer satisfaction
- (5) – Measured against current-year performance to 2021 Company financial plan; weighted 50% electric, 50% gas

Northern Utilities, Inc.
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2020 Incentive Plan Results

Measure	Goal	Result	Weight
Earnings Per Share ⁽¹⁾	Threshold – \$2.19 Target – \$2.31 Maximum – \$2.43	\$2.15 (\$2.24 Adj.)	.40
Gas Safety – Response to Odor Calls ⁽²⁾	84% – 86% – 88%	87.4%	.10
Electric Reliability – SAIDI Minutes ⁽³⁾	150 – 118 – 85	124.5	.10
Customer Satisfaction ⁽⁴⁾	Threshold – Target minus 5% Target – National benchmark Maximum – Target plus 5%	93% Target +6%	.10
O&M Cost Per Customer ⁽⁵⁾	Threshold – Better Than Most Costly Third Target – Better Than Peer Average Maximum – In Least Cost Third	E - Target G - Below Threshold	.30

- (1) – Target set at budget with min and max set at +/- 5%. Changed in 2020 to eliminate dead band and make the range symmetrical around the target.
- (2) – Target set based on a best in class 30-minute response standard based on a three-year historical trend.
- (3) – Target set at the rolling five-year average of the median of peer group reliability based on the national IEEE benchmarking survey.
- (4) – Measured against same-year national benchmark for residential customer satisfaction.
- (5) – Measured against same-year performance of selected peer companies in the Northeast; weighted 50% electric, 50% gas.



Northern Utilities, Inc.
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Energy 4-14 Attachment 3
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To: All Incentive Plan Participants
From: Tom Meissner
Date: February 4, 2020
Re: 2019 Incentive Compensation Award

Each year the Compensation Committee of the Board of Directors reviews the Company's performance for the prior year to determine an appropriate payout from the Incentive Plan. The Committee uses a combination of financial, operational, regulatory and customer metrics to provide a balanced assessment of Company performance for a given year.

For 2019, we saw one of our best performance years ever. We achieved record earnings of \$2.31 per share. We achieved maximum performance in O&M cost management, and we had our best performance ever in electric reliability. We exceeded our targets for Gas Safety and Customer Satisfaction. After weighing all of these factors, the Compensation Committee approved an Incentive Plan payout at 142% of Target, providing an average payout of 7.10% of your 2019 base pay earnings.

Congratulations on a great year! The table on page 2 details all of the performance measures.

Your incentive check will be distributed to you on February 13. For employees who currently have direct deposit for their regular paycheck, this incentive check will also be made via direct deposit to your normal net pay account.

Please contact Tonya Rochette at ext. 6439 if you have any questions about the Incentive Compensation Plan.

A handwritten signature in blue ink that reads "Tom".

Northern Utilities, Inc.
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2019 Incentive Plan Results – Final

Metric	Goal	Result
Earnings Per Share ⁽¹⁾	Threshold – \$2.05 Target – \$2.15 to \$2.25 Maximum – \$2.30	\$2.31
Gas Safety – Response to Odor Calls ⁽²⁾	84% – 86% – 88%	86.4%
Electric Reliability – SAIDI Minutes ⁽³⁾	150 – 118 – 85	82
Customer Satisfaction ⁽⁴⁾	Threshold – Target minus 5% Target – National benchmark Maximum – Target plus 5%	87% (Target plus 1%)
O&M Cost Per Customer ⁽⁵⁾	Threshold – Better Than Most Costly Third Target – Better Than Peer Average Maximum – In Least Cost Third	Least Cost Third

- (1) Target Band set based on approved budget with a ten cent band to reflect variability based upon weather
- (2) Target set based on a best in class 30-minute response standard based on a three-year historical trend
- (3) Target set at the rolling 5-year average of the median of peer group reliability based on the national IEEE benchmarking survey
- (4) Measured against same-year national benchmark for residential customer satisfaction
- (5) Measured against same-year performance of selected peer companies in the Northeast; weighted 50% electric, 50% gas



Northern Utilities, Inc.
DG 21-104
Energy 4-14 Attachment 3
Page 3 of 7

To: All Incentive Plan Participants
From: Tom Meissner
Date: February 2, 2021
Re: 2020 Incentive Plan Results

I'm sure you will all agree that 2020 has been one of the most challenging years we've faced as a Company in many years. The year began with the warmest winter heating season in decades, negatively impacting natural gas sales and Company earnings. As the calendar turned to spring, we found ourselves in the grip of a worldwide health emergency not witnessed in over a century. Efforts to contain the COVID-19 pandemic led to the shutdown of our economy, plunging us into the worst recession since the Great Depression. Ensuring the health and safety of our people required immediate and extensive changes in how we operate as a business, all while continuing to deliver safe and reliable service to customers. Meanwhile, our stock suffered its worst year in at least 20 years compounding what was already a tough year.

Faced with these challenges everyone here at Unitil not only persevered, but in fact delivered tremendous results operationally, and better than expected results financially. In spite of the pandemic, we achieved our best performance ever for customer satisfaction and gas emergency response (outstanding for both), and were close to target for electric reliability. Financially it was a difficult year and we did not meet the target threshold of our Earnings per Share (EPS) metric. In addition, performance under our O&M Cost per Customer metric fell short, primarily because of flaws in the design of the metric and a fluke in the peer group data used for comparison purposes.

Last week the Compensation Committee of the Board of Directors met and reviewed the Company's performance for 2020 to determine an appropriate payout under the Incentive Plan. After reviewing our performance in the context of the COVID-19 pandemic, and considering all of our successes and accomplishments for the year, the Committee exercised some discretion and adjusted our full year results to exclude the financial impacts of the COVID-19 pandemic for purposes of determining performance under the EPS metric in the Incentive Plan. As a result, the Compensation Committee approved an Incentive Plan payout at 81% of Target, up from 53% which would have been the result without this adjustment. This will provide an average payout of 4.05% of your 2020 base pay earnings.

On the pages that follow I have provided a table summarizing our performance under all of the performance measures, as well as a summary of our many successes in 2020. While it hasn't been the year we had planned or expected, as I look back over the past 12 months I'm quite pleased and proud of where we ended the year. I give tremendous credit to all of you for the successes we've had. Looking ahead to 2021, I'm very optimistic that the foundation of our business is sound and we have a strong plan to bring our financial results back to our original outlook prior to the pandemic.

Your incentive check will be distributed to you on February 11th. For employees who currently have direct deposit for their regular paycheck, this incentive check will also be made via direct deposit to your normal net pay account.

Please contact John Closson at ext. 6557 if you have any questions about the Incentive Compensation Plan.

Tom

2020 Incentive Plan Results

Measure	Goal	Result	Weight
Earnings Per Share ⁽¹⁾	Threshold – \$2.19 Target – \$2.31 Maximum – \$2.43	\$2.15 (\$2.24 Adj.)	.40
Gas Safety – Response to Odor Calls ⁽²⁾	84% – 86% – 88%	87.4%	.10
Electric Reliability – SAIDI Minutes ⁽³⁾	150 – 118 – 85	124.5	.10
Customer Satisfaction ⁽⁴⁾	Threshold – Target minus 5% Target – National benchmark Maximum – Target plus 5%	93% Target +6%	.10
O&M Cost Per Customer ⁽⁵⁾	Threshold – Better Than Most Costly Third Target – Better Than Peer Average Maximum – In Least Cost Third	E - Target G - Below Threshold	.30

- (1) – Target set at budget with min and max set at +/- 5%. Changed in 2020 to eliminate dead band and make the range symmetrical around the target.
- (2) – Target set based on a best in class 30-minute response standard based on a three-year historical trend.
- (3) – Target set at the rolling five-year average of the median of peer group reliability based on the national IEEE benchmarking survey.
- (4) – Measured against same-year national benchmark for residential customer satisfaction.
- (5) – Measured against same-year performance of selected peer companies in the Northeast; weighted 50% electric, 50% gas.

Company Successes

- After beginning the year down \$0.20 to budget in Q1 following the warmest winter in decades, finished the year with net income of \$32.2 million and EPS of \$2.15 compared to the original budget of \$2.31. Achieved financial performance ahead of budget over the remaining three quarters of the year despite COVID-related impacts of \$0.15 per share, and would have clawed back \$0.19 of the \$0.20 lost to warm weather in Q1 were it not for the pandemic.
- In response to the COVID-19 pandemic, implemented crisis response plan and rapidly deployed technology to enhance remote work capabilities and transitioned most office staff to work at home. Implemented extensive operational changes to keep field workers safe while ensuring safe and reliable service. Communicated extensively with employees, union leadership, regulators, suppliers, contractors, bankers and vendors. Executed 2020 construction programs without interruption.
- Delivered exceptional service to customers, achieving our highest customer satisfaction ratings ever. Achieved an overall customer satisfaction rating of 93% compared to the national benchmark of 87% based on customer surveys. Unitil was the #1 rated utility in the Northeast, ranked #2 in the Eastern U.S., and 10th out of 114 utilities nationally.
- Responded to an unusual number of storm events in 2020, including ten requiring activation of our Emergency Response Plan. Restored service quickly and effectively each time. Following Tropical Storm Isaias in early August, restored electric service to all customers in under 24 hours. Provided mutual assistance to neighboring utilities eight times in 2020, the most ever in a single year. Won EEI's Emergency Response (Assistance) Award for the third time in four years.
- Jacklyn Ulban, Unitil's Manager of Business Resilience and Compliance, was recognized as a 2020 Energy Central Innovation Champion for her work overseeing the launch and rollout of our exclusive iRestore First Responder Mobile App that helps us prioritize emergency restoration work. Jacklyn was one of five Champions in Innovation, selected from over 100 submissions.
- Achieved our best gas emergency response ever, responding to 87.4% of gas odor calls in under 30 minutes. Unitil was again selected as a Leading Practice Company by the American Gas Association, this time in the area of emergency response and preparedness.
- Exceeded all safety targets for the year and achieved a DART rate of 1.24, besting the target of 1.64 and placing us in the top third of the industry.
 - Experienced only six OSHA recordable injuries in 2020, resulting in our lowest Total Case Incident Rate since 2008 (year of Northern acquisition).
 - Experienced only eight Avoidable Motor Vehicle Accidents in 2020, the lowest number since 2009 (w/ none at Capital DOC, Granite State Gas Transmission and USC).
- Based on employee survey results, sustained high levels of employee pride and engagement despite the challenges of the pandemic, w/ highest survey participation to date (unions included).
 - 90% of employees say they are proud to work for Unitil.
 - 90% of employees feel the Company is customer focused and provides high quality service.
 - 91% of employees would recommend Unitil as a place to work.
 - 93% of employees feel Unitil is a good corporate citizen that cares about the community.
- Successfully navigated the technology challenges associated with virtual Board and committee meetings in 2020, including the Strategic Planning meeting in October.
- Maintained a Corporate Governance rating of "2" for the full year (since May 2019).

- Completed multi-year transition of key management positions including CAO and CFO, assuring strong leadership and continuity of executive management.
- Established a corporate succession planning program to ensure leadership continuity and prepare for anticipated retirements in the years ahead. This program will identify and prepare candidates for all management positions that become vacant due to retirement or resignation.
- In response to economic and market conditions caused by the COVID-19 pandemic, restructured 2020 financing plan to improve liquidity and take advantage of low interest rates. Priced \$95 million of unsecured 30-year notes with coupons between 3.58% and 3.78%. Lowered weighted average cost of debt by ~30 bps to less than 5%, and extended weighted average maturity.
- Mortgaged Unital's corporate office (Hampton) realizing gross proceeds of ~\$4.7 million with a 10-year term at an interest rate of 2.64%. Proceeds were used to make equity contributions to UES and Northern Utilities, and to prepay a portion of a note carrying an interest rate of 6.33%.
- Concluded base rate cases filed in 2019 for Northern Utilities (Maine) and Fitchburg Gas and Electric Company providing for an increase in annualized revenues of \$4.0 million.
- Reached a rate settlement for Granite State Gas Transmission allowing for an annual increase in revenues of \$1.3 million effective November 1, 2020, reflecting an equity ratio of ~56% and an implied ROE of greater than 10%. The settlement also provides for annual recovery of mandated and safety-related projects subject to an overall investment cap of \$14.6 million.
- Added 1,663 new gas customers and 948 new electric customers in 2020. This includes what will become our second largest gas customer, Sappi Paper of Maine. Expect full operations in January 2021 with annual distribution revenue of approximately \$1.2 million.
- Completed new state-of-the-art 54,000 square foot operations center for our Seacoast electric operations, as well as engineering, substation, metering, forestry and central electric dispatching. Finished the project on-time and on-budget despite challenges posed by the pandemic. Incorporated extensive sustainability features to significantly reduce energy and water usage.
- Published second annual Corporate Sustainability and Responsibility Report, including key metrics and statistics in the EEI, AGA and SASB reporting templates, with the goal of improving our ESG credentials. Separately, completed a greenhouse gas (GHG) inventory of our corporate emissions and participated for the first time in the Carbon Disclosure Project disclosure questionnaire.
- Along with the other Massachusetts utilities, received the #1 ranking in the nation for "Utility-sector" efficiency programs by the American Council for an Energy Efficient Economy (ACEEE). Unital's energy efficiency programs delivered \$4.9 million in annual savings to customers and will reduce CO2 emissions by 13,600 metric tons, the equivalent of removing 2,900 cars from the road.
- Received the Gold Leaf Award from International Society of Arboriculture (ISA) for our Energy Saving Trees program, part of an ongoing partnership with the Arbor Day Foundation.
- Executed multi-year succession plan in gas operations anticipating a large number of planned retirements, including eight key managers and supervisors in 2020 (27% of management staff). Successfully addressed all retirements through careful planning. Supplemented with external recruitment of strong candidates to address unplanned turnover.
- In concert with succession and retirement planning, established a technical training department within gas operations to centralize training and record keeping across all locations. The team is staffed with experienced professionals using advanced training techniques and tools.

- Implemented a Pipeline Safety Management System to continuously and comprehensively track and improve safety performance following the Plan, Do, Check, Act model.
- In response to a planned outage of the Maritimes and Northeast Pipeline, designed and sited a temporary compressed natural gas (CNG) station to maintain service to customers during the one week outage; operated the CNG station 24/7 to ensure no customers lost service.
- Achieved a major milestone in Massachusetts by finishing the year with zero active gas leaks, including non-hazardous Grade 3 leaks. This is particularly notable with 50 miles of cast iron and bare steel (aka, “leak prone”) pipe yet to be replaced, and makes us the first gas utility in Massachusetts with no gas leaks on our system.
- Negotiated a new five-year CBA with the United Steelworkers Union representing Northern-NH gas employees in Portsmouth. Conducted all negotiations remotely via video conference format due to pandemic. The parties worked cooperatively toward a new agreement demonstrating the strong relationship we have with our labor unions.
- Continued the focus on long-term strategic planning, specifically in the areas of Customer Choices, Advancing the Grid, Smart Heating and Transportation Solutions, and Future of Gas. Developed Electric Vehicle proposals for upcoming UES rate case including Time-of-Use (TOU) rates and a charging station make-ready proposal. Issued a Request for Information (RFI) for renewable natural gas (RNG) to incorporate RNG into our supply portfolio.
- In Maine, successfully introduced legislation to enable gas utilities to procure a portion of their supply from RNG sources, with the intention of supporting the State’s goal of carbon neutrality by 2045. In New Hampshire, introduced legislation to prevent cities and towns from enacting local bans on the use of natural gas in commercial, industrial or residential buildings. These bills are strategically important to our efforts to protect our natural gas franchise while developing alternative decarbonization pathways to achieve each state’s greenhouse gas emissions goals.
- Completed a major upgrade of all customer metering systems to achieve state-of-the art advanced metering functionality. This included upgrade of all Advanced Metering Infrastructure (AMI) including Command Center software, as well as upgrade of Itron’s MV-90 and MVRS systems and our MeterSense meter data management system. The upgrade enables collection of 15-minute interval data to support time-based rates, flexible and scalable communication options, and will provide improved outage detection in conjunction with our Outage Management System.
- Took a lead role in a New Hampshire PUC proceeding to develop a statewide, multi-use online energy data platform pursuant to legislative directive. Unitil led the effort to design the data sharing architecture and governance models and collaborated with the other utilities to develop a comprehensive proposal for the PUC. This model has been widely accepted by the many stakeholders participating in the proceeding, and will likely form the basis for a statewide multi-utility platform to allow sharing of customer and supplier data.
- Completed a major upgrade of our Outage Management System (OMS) including full interface testing in order to migrate the system to the new Advanced Distribution Management System (ADMS). OMS is now a module within the ADMS system.
- Completed a state-of-the-art grid modernization project in Townsend, Massachusetts including 2MW battery storage system, Field Area Network, SCADA, ADMS, and Volt/Var Optimization. Partially funded by a \$1.25 million grant from the Massachusetts Department of Energy Resources, the project will allow greater penetration of distributed energy resources (e.g., solar).

Northern Utilities, Inc. - New Hampshire Division
Bonus/Incentive Compensation Costs

Docket DG 21-104
Energy 4-14 Attachment 4
Page 1 of 1

Line No.	Description	2020
1	<u>Unitil Corporation Management Incentive Program</u>	
2	Gross Expense	\$ 1,024,943
3	Allocation to NuNH	20.18%
4	Gross Expense Allocable to NuNH	<u>\$ 206,833</u>
5	USC Capitalization Rate	32.52%
6	Capitalization Rate	<u>\$ 67,262</u>
7	Net Expense	<u><u>\$ 139,571</u></u>
8	<u>Unitil Corporation Incentive Program</u>	
9	USC (excluding Management) - Gross Expense	\$ 2,387,200
10	Allocation to NuNH	20.18%
11	USC (excluding Management) - Gross Expense Allocable to NuNH	<u>\$ 481,737</u>
12	USC Capitalization Rate	32.52%
13	USC (excluding Management) - Capitalization	<u>\$ 156,661</u>
14	USC (excluding Management) - Net Expense	<u>\$ 325,076</u>
15	NuNH Gross Expense	\$ 58,992
16	NuNH Capitalization Rate	84.00%
17	NuNH - Capitalization	<u>\$ 49,553</u>
18	NuNH - Net Expense	<u>\$ 9,439</u>
19	Total Unitil Corporation Incentive Program Net Expense	<u><u>\$ 334,515</u></u>
20	Grand Total Unitil Corporation Incentive Program Net Expense	<u><u>\$ 474,086</u></u>

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-24

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

REQUEST:

SERP: Reference Schedule Rev-Req-3-7, Bates 147, and Workpaper 4.3, Bates 271.

- a. Who participates in SERP?
- b. Are the same individuals allowed to participate in SERP and the Non-Qualified Deferred Compensation Plan?
- c. Please explain why SERP increased from \$382,066 in the test year to \$467,915 in 2021.
- d. For each year 2016, 2017, 2018, and 2019, please provide SERP Expenses and a list of the employees, with name and position, who participated in SERP.

RESPONSE:

- a. The Supplemental Executive Retirement Plan's (SERP) is offered to selected executives to ensure competitive payment of retirement income in order to attract, retain and motivate these employees designated by the Board of Directors.
- b. No, the SERP is a compensation plan that is mutually exclusive of the Non-Qualified Deferred Compensation Plan.
- c. The increase in total SERP expense was driven primarily by the drop in the discount rate from 3.15% to 2.30%, which increases the liability.
- d. Please see Energy 4-24 Attachment 1.

Northern Utilities, Inc. - New Hampshire Division
SERP Expense
2016-2021 Actual Expense

Docket DG 21-104
Energy 4-24 Attachment 1
Page 1 of 1

LINE NO.	(1) DESCRIPTION	(2) 2016	(3) 2017	(4) 2018	(5) 2019	(6) 2020	(7) 2021
A1	USC Labor & Overhead Charged to NuNH	18.51%	18.68%	19.07%	19.24%	19.85%	19.85%
A2	NuNH Capitalization Rates	44.95%	45.78%	47.22%	48.12%	48.76%	48.76%
A3	USC Labor & Overhead to Construction	31.18%	31.64%	31.00%	31.05%	31.51%	31.51%
A4	Total USC SERP Expense per Actuary	\$ 1,112,151	\$ 1,336,224	\$ 1,566,259	\$ 1,438,762	\$ 1,924,767	\$ 2,357,253

Calculation of SERP Expense, net of Amounts Chargeable to Construction

A. NuNH SERP Expense, net:

1	NuNH SERP Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Less: Amounts chargeable to construction	-	-	-	-	-	-
3	NuNH SERP Expense, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

B. Unitil Service SERP Expense Allocated to NuNH, net:

4	Unitil Service SERP Expense Allocated to NuNH	\$ 205,859	\$ 249,607	\$ 298,686	\$ 276,818	\$ 382,066	\$ 467,915
5	Less: Amounts chargeable to construction	(64,187)	(78,976)	(92,593)	(85,952)	(120,389)	(147,440)
6	Unitil Service SERP Expense Allocated to NuNH, net	\$ 141,672	\$ 170,631	\$ 206,093	\$ 190,866	\$ 261,677	\$ 320,475
7	Total NuNH SERP Expense	\$ 141,672	\$ 170,631	\$ 206,093	\$ 190,866	\$ 261,677	\$ 320,475

Name

Mark Collin
Todd Black
Michael Dalton
George Long
Thomas Meissner
Robert Schoenberger

Title

SVP, CFO (retired 2019)
SVP, External Affairs & Customer Relations
President (retired 2003, deceased 2020, beneficiary now receiving)
VP, Administration (retired 2016)
Chairman, President and CEO
Chairman, President and CEO (retired 2018)

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-23

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

REQUEST:

Retirement/Deferred Compensation. Reference Closson/Conneely, Bates 313-314, and RevReq-3-7, Bates 147, and Workpaper 4.6, Bates 274.

- a. Who participates in the Deferred Compensation plan?
- b. Please provide a copy of the plan.
- c. Please explain the difference between Deferred Compensation and SERP.
- d. Please provide a complete description of the financial reporting and ratemaking treatment of the utility's deferred compensation.
- e. Please provide the most recent actuarial report.
- f. Please explain the increase in deferred compensation from the test year expense of \$36,951 to the 2021 and 2022 forecasted expense of \$280,214.
- g. For each year 2016, 2017, 2018, and 2019, please provide the Non-Qualified Deferred Compensation Plan Expenses and a list of the employees, with name and position, who participated in the Non-Qualified Deferred Compensation Plan.

RESPONSE:

- a. The Administrator of the Deferred Compensation plan is the Company's board of directors. The Administrator determines which management employees and other employees of the Company shall be eligible to participate in the Plan.
- b. Please see Energy 4-23 Attachment 1.
- c. Both the SERP and the Deferred Compensation plan are designed to attract, retain and motivate selected executives. The SERP is a defined retirement supplement benefit for designated employees. With a SERP, the employer determines how the plan will be established, how much it will contribute, and how distributions from the plan are paid out to participating employees. The Deferred Compensation plan is a defined contribution vehicle that allows the employee to decide on contributions amounts and when they can begin receiving their distributions.
- d. The ratemaking treatment of Deferred Compensation costs is that when the Company comes in for a base rate case a new level of Deferred Compensation expense is set and recovered through base rates. In this proceeding the Company has used 2021 calendar year expense as reflected in the Deferred Compensation expense adjustment included in the Company's Revenue

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-23

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

Requirement Schedule RevReq-3-7 and supporting Workpaper 4.6. As provided in Revenue Requirement Schedule RevReq-3-7, Col 2, Line 5 (bates 147), the Company is proposing recovery of Deferred Compensation expense in base rates of \$52,717. This amount includes only Unitil Service allocable expense charged to NuNH.

- e. As this Deferred Compensation plan is a defined contribution, there are no actuarial reports.
- f. The number of participants in this benefit was increased from two to six employees.
- g. Please see Energy 4-23 Attachment 2. The first year of this plan was 2019.

UNITIL CORPORATION DEFERRED COMPENSATION PLAN

WHEREAS, Unitil Corporation desires to establish an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 as amended, and the regulations thereunder;

NOW, THEREFORE, effective January 1, 2019, the Unitil Corporation Deferred Compensation Plan is hereby established as follows:

SECTION 1. PURPOSE OF PLAN

The Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and shall be interpreted and administered in a manner consistent therewith. The provisions of the Plan are intended to comply with requirements of Code section 409A in form and operation and shall be interpreted in a manner consistent with such Code section and regulations promulgated pursuant thereto.

SECTION 2. DEFINITIONS

- 2.1** "Administrator" means the Board or the committee or subcommittee appointed pursuant to Section 16.1.
- 2.2** "Beneficiary" means the person or entity determined to be a Participant's beneficiary pursuant to Section 14.
- 2.3** "Board" means the board of directors of Unitil Corporation.
- 2.4** "Change in Control" shall mean the occurrence of any of the following:
- (a) Unitil Corporation receives a report on Schedule 13D filed with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (hereinafter referred to as the "Exchange Act"), disclosing that any person, group, corporation or other entity is the beneficial owner, directly or indirectly, of twenty-five (25%) percent or more of the outstanding common stock of Unitil Corporation;
 - (b) any person (as such term is defined in Section 13(d) of the Exchange Act), group, corporation or other entity other than Unitil Corporation or a wholly-owned subsidiary of Unitil Corporation, purchases shares pursuant to a tender offer or exchange offer to acquire any common stock of Unitil Corporation (or securities convertible into common stock) for cash, securities or any other consideration,

provided that after consummation of the offer, the person, group, corporation or other entity in question is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of twenty-five (25%) percent or more of the outstanding common stock of Unitil Corporation (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire common stock);

- (c) the stockholders of Unitil Corporation approve (i) any consolidation or merger of Unitil Corporation in which Unitil Corporation is not the continuing or surviving corporation or pursuant to which shares of common stock of Unitil Corporation would be converted into cash, securities or other property (except where Unitil Corporation shareholders before such transaction will be the owners of more than seventy-five (75%) percent of all classes of voting stock of the surviving entity), or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Unitil Corporation; or
- (d) there shall have been a change in a majority of the members of the Board of Directors within a twenty-five (25) month period unless the election or nomination for election by the Unitil Corporation stockholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twenty-five (25) month period.

Should the Change in Control by stockholder approval under Section 2.4(c) and if the Board determines the approved transaction will not be completed and is abandoned prior to any termination of the Participant's employment, a Change in Control shall no longer be in effect and the provisions of the Plan shall continue in effect as if a Change in Control had not occurred.

- 2.5** “**Code**” means the Internal Revenue Code of 1986, as amended from time to time.
- 2.6** “**Company**” means Unitil Corporation and any wholly-owned subsidiary of Unitil Corporation and any successor company which may continue the Plan.
- 2.7** “**Compensation**” means the base salary paid to, and any cash incentive compensation earned by, a Participant for the Plan Year.
- 2.8** “**Disability**” means a condition in which the Participant:
 - (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which, in the opinion of the Administrator, can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or
 - (b) is, by reason of any medically determinable physical or mental impairment which, in the opinion of the Administrator, can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving

income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company; or

(c) is determined to be totally disabled by the Social Security Administration.

2.9 “ERISA” means the Employee Retirement Income Security Act of 1974, all amendments thereto and all federal regulations promulgated pursuant thereto.

2.10 “401(k) Plan” means the Unitil Corporation Tax Deferred Savings and Investment Plan, as amended from time to time.

2.11 “Normal Retirement Age” means the earlier of (i) age sixty-five (65), or (ii) age fifty-five (55) with fifteen (15) years of service. For this purpose, a Participant shall be credited with a year of service for each Plan Year in which he is credited with at least one thousand (1,000) hours of service.

2.12 “Participant” means an employee of the Company who is eligible to participate in the Plan pursuant to Section 3.

2.13 “Plan” means the Unitil Deferred Compensation Plan, as set forth herein and as amended from time to time.

2.14 “Plan Year” means the calendar year.

SECTION 3. ELIGIBLE EMPLOYEES

The Administrator shall determine which management employees and other employees of the Company shall be eligible to participate in the Plan from time to time, the eligibility waiting period and such other conditions as may be applicable from time to time.

SECTION 4. ELECTION TO DEFER COMPENSATION

A Participant may elect to defer a specified percentage of his Compensation (from one percent (1%) to eighty-five percent (85%)) for a Plan Year by filing an election with the Administrator (pursuant to Section 5) on or prior to such date that the Administrator may specify (but no later than the last day of the preceding Plan Year). A separate election may be made with respect to any cash incentive compensation to be earned for the Plan Year. Any election so made shall not be binding for any following Plan Year, and accordingly, a new election must be filed for any following Plan Year to effect any deferral for such Plan Year on such date that the Administrator may specify (but no later than the last day of the preceding Plan Year), provided, however, that, subject to the provisions of section 409A of the Code, a Participant who first becomes eligible to participate in the Plan after the beginning of a Plan Year shall be entitled to make a deferral election (with respect to Compensation and/or any cash incentive compensation to be earned

after the date of the election) within thirty (30) days of becoming eligible.

In addition, each Participant may elect to establish one or more separate “in-service withdrawal accounts”, to which shall be credited such portion of his deferrals and any Company contributions made on his behalf under Section 7 as the Participant may designate, and subject to the provisions of Section 11, which shall be distributed as of a date selected by the Participant on the election form used to make his deferral election for the applicable year.

Notwithstanding the foregoing, if a Participant receives a distribution under the Plan as a result of an unforeseeable emergency pursuant to Section 12, or receives a hardship distribution under the 401(k) Plan, the Participant’s deferral election under the Plan shall be cancelled for the balance of the Plan Year in which such distribution is received.

SECTION 5. MANNER OF ELECTION

Any election made by a Participant pursuant to the Plan shall be made in accordance with rules and procedures and on such forms as may from time to time be prescribed by the Administrator.

SECTION 6. ACCOUNTS

The Company shall establish and maintain on its books with respect to each Participant a separate account which shall record (a) any Compensation deferred by the Participant under the Plan pursuant to the Participant’s election, (b) any Company contributions made on behalf of the Participant pursuant to Section 7 below, and (c) the allocation of any hypothetical investment experience.

If a Participant elects to establish one or more “in-service withdrawal accounts” under Section 4, such accounts shall be established and maintained on the Company’s books and shall record (a) any Compensation deferred by the Participant under the Plan, and any Company contributions made on his behalf, which the Participant has elected to be credited to the applicable account, and (b) the allocation of any hypothetical investment experience relating thereto. There shall also be established for each Participant a separate “retirement account” which shall record (a) any Compensation deferred by the Participant, and any Company contributions made on his behalf, under the Plan which the Participant has not elected to be credited to an “in-service withdrawal account” and (b) the allocation of any hypothetical investment experience relating thereto.

SECTION 7. COMPANY CONTRIBUTIONS

For any Plan Year, the Company may elect to credit to the account of each Participant, or any Participant designated by the Board, an amount equal to a specified percentage of such Participant’s Compensation, a flat dollar amount and/or an amount equal to a specified percentage of any Compensation deferred under Section 4. Any such credit shall be made

entirely at the discretion of the Administrator and the amount of any such credit may be different for different Participants.

SECTION 8. ADJUSTMENTS TO ACCOUNTS

Each Participant's accounts shall be reduced by the amount of any distributions to the Participant from the applicable account, by any federal, state and/or local tax withholding and any social security withholding tax as may be required by law, and by any applicable administrative expenses. Pursuant to procedures established by the Administrator, each Participant's accounts shall be adjusted as of each business day the New York Stock Exchange is open to reflect the earnings or losses of any hypothetical investment media as may be designated by the Administrator and, if applicable, elected by the Participant.

SECTION 9. INVESTMENT OF ACCOUNTS

For purposes of determining the amount of earnings and appreciation and losses and depreciation to be credited to a Participant's accounts, each Participant's accounts shall be deemed invested in the investment options (designated by the Administrator as available under the Plan) as the Participant may elect, from time to time, in accordance with such rules and procedures as the Administrator may establish, provided, however, that no provision of the Plan shall require the Company to actually invest any amounts in any fund or in any other investment vehicle.

SECTION 10. VESTED STATUS

Subject to the provisions of Section 21, each Participant shall have a nonforfeitable (vested) right to the fair market value of the Participant's accounts.

SECTION 11. TIME AND MANNER OF DISTRIBUTION

Distribution of a Participant's "retirement account" (within the meaning of Section 6) shall be made or commence on or around July 1 following the close of the Plan Year in which the Participant "separates from service" with the Company (within the meaning of section 409A of the Code), provided, however, that payment may be delayed under any of the circumstances permitted under said section 409A, and, provided, further, that, if any amounts credited to a Participant's accounts become subject to tax under section 409A of the Code, such amounts shall be immediately distributed to the Participant.

Each Participant shall elect, on the election form used to make his deferral election for the year, either of the following modes of distribution for his retirement account:

- (a) a single lump sum payment; or

- (b) annual installments over a period of up to fifteen (15) years, the amount of each installment to equal the balance of the Participant's retirement account immediately prior to the installment divided by the number of installments remaining to be paid. The first installment shall be made on or around July 1 following the close of the Plan Year in which the Participant separates from service with the Company, with each subsequent installment being made on the first day of the calendar month coinciding with or following the one (1) year anniversary of the prior payment.

A Participant may subsequently elect to change the mode of distribution of his retirement account, or to delay the date on which distribution of the Participant's retirement account is to be made or commence, subject to the following conditions: (i) any such election may not take effect until twelve (12) months after the date on which the election is made; (ii) payment with respect to such election must be deferred for a period of at least five (5) years from the date on which payment would otherwise have been made or commence; and (iii) if the subsequent election relates to a payment that was scheduled to be made on a specified date, the subsequent election must be made at least twelve (12) months prior to the date the first amount was scheduled to be paid.

Any "in-service" withdrawal account established for a Participant under Section 6 shall be distributed in a lump-sum cash payment, as of the dates previously designated by the Participant, provided, however, that a Participant may subsequently elect to delay the date on which distribution of an in-service withdrawal account is to be made, subject to the following conditions: (i) the subsequent election must be made at least twelve (12) months prior to the date the in-service withdrawal account was scheduled to be paid, and (ii) payment must be deferred for a period of at least five (5) years from the date on which payment was initially to have been made, and provided, further, that if a Participant separates from service prior to the scheduled payment date of any in-service withdrawal accounts, such accounts shall be distributed to the Participant at the same time and in the same manner as the Participant's retirement account.

Notwithstanding the foregoing, each Participant may elect, on the election form used to make his initial deferral election, to have his accounts distributed, in the form of a single sum payment, on or around July 1 following the close of the Plan Year in which a Change in Control occurs.

Notwithstanding the foregoing provisions of this Section 11, except as otherwise provided under section 409A of the Code, if a Participant fails to make a distribution election, or if the total fair market value of a Participant's accounts does not exceed the amount in effect for the applicable year under Code section 402(g)(1)(B) as of the date of the Participant's separation from service, the Participant's accounts shall be distributed to the Participant in a single lump-sum payment on or around July 1 following the Participant's separation from service.

Payment shall be treated as made upon the date specified under the Plan if payment is made on such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan, provided the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment.

SECTION 12. DISTRIBUTION IN THE EVENT OF UNFORESEEABLE EMERGENCY

In the event of an “unforeseeable emergency” (within the meaning of section 409A of the Code), a Participant may, by filing an election with the Administrator (in such form and manner as may be prescribed by the Administrator), request to receive a distribution from the Plan in an amount not to exceed the lesser of (i) the fair market value of the Participant’s accounts or (ii) the amount necessary to satisfy the unforeseeable emergency. Any such distribution request shall be granted at the sole discretion of the Administrator, in accordance with the rules and procedures established by the Administrator, and subject to the provisions of section 409A of the Code.

SECTION 13. DEATH BENEFIT

In the event of the death of a Participant while in the employ of the Company, the fair market value of the Participant’s accounts shall be distributed to the Participant’s Beneficiary, in a single lump sum payment, on or around July 1 following the close of the Plan Year in which the Participant’s death occurs.

In the event a Participant dies after distribution has commenced under the Plan, the balance of the Participant’s accounts, if any, shall be distributed to the Participant’s Beneficiary, in a single lump sum payment, within ninety (90) days following the Participant’s death.

Payment shall be treated as made upon the date specified under the Plan if payment is made at such date or a later date within the same taxable year of the Beneficiary or, if later, by the 15th day of the third calendar month following the date specified under the Plan and if the Beneficiary is not permitted, directly or indirectly, to designate the taxable year of the payment.

SECTION 14. BENEFICIARY DESIGNATION

A Participant may designate the person or persons to whom the Participant’s accounts under the Plan shall be paid in the event of the Participant’s death, by filing a designation of beneficiary form with the Administrator. If no Beneficiary is designated, or no Beneficiary survives the Participant, payment shall be made to the Participant’s surviving spouse, or if none, to the Participant’s estate. If a Beneficiary survives the Participant, but dies before the balance payable to the Beneficiary has been distributed, any remaining balance shall be paid to the Beneficiary’s estate.

SECTION 15. DOMESTIC RELATIONS ORDERS

If a domestic relations order issued by any court of proper authority directs assignment of all or any portion of a Participant’s accounts to the Participant’s spouse or former spouse as part of a divorce settlement, the portion so assigned shall be distributed, in a lump-sum, to the spouse or former spouse on or around July 1 following the close of the Plan Year in which the order was received by the Administrator or, if later, following the close of the Plan Year in which the order

clearly specifies the amount to be assigned and any other terms necessary to comply with such order and with the provisions of Code section 409A.

SECTION 16. PLAN ADMINISTRATION

16.1 Administration. The Plan shall be administered by the Board or, in the discretion of the Board, a committee or subcommittee of the Board (the "Committee"), appointed by the Board and composed of at least two members of the Board. All references in the Plan to the Administrator shall be understood to refer to the Committee or the Board, whoever shall administer the Plan.

Where the Committee serves as Administrator, in the event that a vacancy on the Committee occurs on account of the resignation of a member or the removal of a member by vote of the Board, a successor member shall be appointed by vote of the Board. The Administrator shall select one of its members as Chairman and shall hold meetings at such times and places as it may determine. A majority shall constitute a quorum, and acts of the Administrator at which a quorum is present, or acts reduced to or approved in writing by all its members, shall be the valid acts of the Administrator.

The Administrator is authorized to interpret and construe any provision of the Plan, to determine eligibility and benefits under the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to adopt such forms as it may deem appropriate for the administration of the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan or the provisions of section 409A of the Code and the regulations and rulings promulgated thereunder. The Administrator shall be responsible for the day-to-day administration of the Plan. Determinations, interpretations or other actions made or taken by the Administrator under the Plan shall be final and binding for all purposes and upon all persons.

The Company shall indemnify, hold harmless and defend the Administrator and/or the Board (and its delegates) from any liability which the Administrator and/or the Board (or its delegates) may incur in connection with the performance of its duties in connection with the Plan, so long as the Administrator and/or the Board (or such delegate) was acting in good faith and within what the Administrator and/or the Board (or such delegate) reasonably understood to be the scope of its duties.

16.2 Review Procedure.

- (a) Pursuant to procedures established by the Administrator, claims for benefits under the Plan made by a Participant or Beneficiary (the "claimant") must be submitted in writing to the Administrator.

If a claim is denied in whole or in part, the Administrator shall notify the claimant within ninety (90) days (or forty-five (45) days if the claim relates to a

determination of Disability) after receipt of the claim (or within one hundred eighty (180) days (or seventy-five (75) days for a Disability claim), if special circumstances require an extension of time for processing the claim, and provided written notice indicating the special circumstances and the date by which a final decision is expected to be rendered is given to the claimant within the initial ninety (90) day period, or forty-five (45) day period, as the case may be). If notification is not given in such period, the claim shall be considered denied as of the last day of such period and the claimant may request a review of the claim.

The notice of the denial of the claim shall be written in a manner calculated to be understood by the claimant and shall set forth the following:

- (i) the specific reason or reasons for the denial of the claim;
- (ii) the specific references to the pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary to perfect the claim, and an explanation of why such material or information is necessary; and
- (iv) a statement that any appeal of the denial must be made by giving to the Administrator, within sixty (60) days (or one hundred eighty (180) days in the case of a Disability claim) after receipt of the denial of the claim, written notice of such appeal, such notice to include a full description of the pertinent issues and basis of the claim.

With respect to any denial of a Disability claim, the denial shall include an explanation of the basis for disagreeing with, or not following, (A) the views, presented by the claimant, of health care professionals treating the claimant and/or vocational professionals who evaluated the claimant; (B) the views, obtained on behalf of the Plan in connection with the claim, of medical or vocational experts (whether or not the advice was relied upon in denying the claim); (C) a determination made by the Social Security Administration, presented by the claimant, if applicable. In addition, the denial shall set forth internal rules, guidelines, protocols, standards, or similar criteria relied upon in denying the claim; or alternatively, include a statement that such internal rules, guidelines, protocols, standards or other similar criteria do not exist.

- (b) Upon denial of a claim in whole or part, the claimant (or his duly authorized representative) shall have the right to submit a written request to the Administrator for a full and fair review of the denied claim, to be permitted to review documents pertinent to the denial, and to submit issues and comments in writing. Any appeal of the denial must be given to the Administrator within the period of time prescribed under (a)(iv) above. If the claimant (or his duly authorized representative) fails to appeal the denial to the Administrator within

the prescribed time, the Administrator's adverse determination shall be final, binding and conclusive.

With respect to any Disability claim, prior to denying the claim upon appeal, the Administrator shall provide the claimant, free of charge, with any new or additional evidence considered, relied upon, or generated in connection with the claim. Such evidence shall be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided in order to give the claimant an opportunity to respond prior to that date, and if the denial is based on new or additional rationale, the Administrator shall provide the claimant with such rationale, free of charge and as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided in order to give the claimant an opportunity to respond prior to that date.

The Administrator may hold a hearing or otherwise ascertain such facts as it deems necessary and shall render a decision which shall be binding upon both parties. The Administrator shall advise the claimant of the results of the review within sixty (60) days (or forty-five (45) days in the case of a Disability claim) after receipt of the written request for the review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days (or ninety (90) days in the case of a Disability claim) after receipt of the request for review. If such extension of time is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision of the review shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. The decision of the Administrator shall be final, binding and conclusive.

SECTION 17. FUNDING

17.1 Plan Unfunded. The Plan is unfunded for tax purposes and for purposes of Title I of ERISA. Accordingly, the obligation of the Company to make payments under the Plan constitutes solely an unsecured (but legally enforceable) promise of the Company to make such payments, and no person, including any Participant or Beneficiary shall have any lien, prior claim or other security interest in any property of the Company as a result of the Plan. Any amounts payable under the Plan shall be paid out of the general assets of the Company and each Participant and Beneficiary shall be deemed to be no more than a general unsecured creditor of the Company.

17.2 Rabbi Trust. The Company may create a grantor trust to pay its obligations hereunder (a so-called rabbi trust), the assets of which shall be, for all purposes, the assets of the Company. In the event the trustee of such trust is unable or unwilling to make payments directly to Participants and Beneficiaries and such trustee remits payments to the Company for delivery to

Participants and Beneficiaries, the Company shall promptly remit such amount, less applicable income and other taxes required to be withheld, to the Participant or Beneficiary.

SECTION 18. AMENDMENT

The Company, by resolution of the Board, shall have the right to amend, suspend or terminate the Plan at any time subject to the provisions of section 409A of the Code; provided, however, that no such action shall, without the Participant's consent, impair the Participant's right with respect to any existing account under the Plan. The termination of the Plan, with respect to some or all of the Participants, and any resulting distribution of the account balances of such affected Participants, shall be made in accordance with the provisions of section 409A of the Code and shall not constitute the impairment of such Participant's rights hereunder.

SECTION 19. TERMINATION OF THE PLAN

The Company, by resolution of the Board, and subject to the provisions of Section 409A of the Code, may elect to terminate and liquidate the Plan within the thirty (30) days preceding or the twelve (12) months following a Change in Control, provided all agreements, methods, programs and other arrangements sponsored by the Company immediately after the time of the Change in Control with respect to which deferrals of Compensation are treated as having been deferred under a single plan under section 409A of the Code are terminated and liquidated with respect to each Participant that experienced the Change in Control, so that under the terms of the termination and liquidation, all such Participants are required to receive their vested accounts under the terminated agreements, methods, programs and other arrangements within twelve (12) months of the date the Company irrevocably takes all necessary action to terminate and liquidate the agreements, methods, programs and other arrangements.

The Company, by resolution of the Board, and subject to the provisions of section 409A of the Code, may elect to terminate and liquidate the Plan, provided that: (i) the termination and liquidation does not occur proximate to a downturn in the financial health of the Company; (ii) the Company terminates and liquidates all agreements, methods, programs, and other arrangements sponsored by the Company that would be aggregated with any terminated and liquidated agreements, methods, programs, and other arrangements under section 409A of the Code, if the same employee had deferrals of compensation under all of the agreements, methods, programs and other arrangements that are terminated and liquidated; (iii) no payments in liquidation of the Plan are made within twelve (12) months of the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan other than payments that would be payable under the terms of the Plan if the action to terminate and liquidate the Plan had not occurred; (iv) all payments are made within twenty-four (24) months of the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan; and (v) the Company does not adopt a new plan that would be aggregated with the terminated Plan under section 409A of the Code if the same employee participated in both plans, at any time within three (3) years following the date the Company takes all necessary action to irrevocably terminate and liquidate the Plan.

SECTION 20. NO ASSIGNMENT

A Participant's right to the amount credited to his account under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant's Beneficiary, except to the extent permitted in accordance with Section 15 above.

SECTION 21. TERMINATION FOR CAUSE

Notwithstanding anything to the contrary herein contained, in the event a Participant's employment with the Company is terminated "for cause," no benefits (other than those attributable to the Participant's deferrals under Section 4) shall be due or payable under the Plan, and such Participant's "retirement account" (within the meaning of Section 6) (less such Participant's interest attributable to deferrals under Section 4) shall be forfeited. For this purpose, termination "for cause" shall mean a termination resulting from (i) a conviction of robbery, extortion, embezzlement, fraud, grand larceny, burglary, perjury, income tax evasion, misapplication of Company funds, false statements in violation of 18 U.S.C. Sec. 1001, and any other felony that is punishable by a term of imprisonment of more than one year, or (ii) any breach of the Participant's duty of loyalty to the Company, any acts of omission in the performance of his duties not in good faith or which involve intentional misconduct or a knowing violation of law, or any transaction in the performance of his duties from which the Participant derived an improper personal benefit.

SECTION 22. SUCCESSORS AND ASSIGNS

The provisions of the Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Participant, his Beneficiaries, heirs, legal representatives and assigns.

SECTION 23. NO CONTRACT OF EMPLOYMENT

Nothing contained herein shall be construed as a contract of employment between a Participant and the Company, or as a right of the Participant to continue in employment with the Company, or as a limitation of the right of the Company to discharge the Participant at any time, with or without cause.

SECTION 24. ENFORCEABILITY

If any term or condition of the Plan shall be invalid or unenforceable to any extent or in any application, then the remainder of the Plan, and such term or condition except to such extent or in such application, shall not be affected thereby, and each and every term and condition of the Plan shall be valid and enforced to the fullest extent and in the broadest application permitted by law.

SECTION 25. CONSTRUCTION

Wherever appropriate, the use of the masculine gender shall be extended to include the feminine and/or neuter, and the singular form of word extended to include the plural, or vice versa.

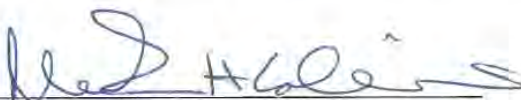
SECTION 26. GOVERNING LAW

The Plan shall be interpreted in a manner consistent with Code section 409A and the guidance issued thereunder by the Department of the Treasury and the Internal Revenue Service and shall also be subject to and construed in accordance with the provisions of ERISA, where applicable, and otherwise by the laws of the Commonwealth of Massachusetts, without regard to the conflict of law provisions of any jurisdiction.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has caused the Plan to be executed as of the 25th day of July, 2018.

UNITIL CORPORATION

By:


Mark H. Collin, Authorized Officer

Northern Utilities, Inc.
DG 21-104
Energy 4-23 Attachment 2
Page 1 of 1

Unitil Service Corp. Non-Qualified Deferred Compensation Plan Expense

Name	Position	2016	2017	2018	2019
Chrstine Vaughan	SVP, CFO & Treasurer	\$ -	\$ -	\$ -	\$ 9,932
Laurence Brock	Chief Accounting Officer & Controller	\$ -	\$ -	\$ -	\$ 9,932
					<u>\$ 19,864 Total</u>

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-32

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

REQUEST:

D&O: Please provide a summary of who is and what activities are covered under the D&O Liability Insurance policy.

RESPONSE:

Directors and officers (D&O) liability insurance protects the personal assets of corporate directors and officers in the event they are personally sued by employees, vendors, competitors, investors, customers, or other parties, for actual or alleged wrongful acts in managing a company. Unital pays for this coverage so executives can serve confidently as leaders of their organization without fear of personal financial loss.

Covered under our D&O Insurance policy are:

- Officers of Unital Corporation
- Officers of Unital Corporation's Subsidiaries
- Unital's Board of Directors

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-36

Date of Response: 12/20/21
Witness: Ned W. Allis

REQUEST:

Depreciation. Reference Schedule RevReq-3-16, Bates 158.

- a. Please provide a schedule comparing Whole Life and Remaining Life methodologies.
- b. Please provide a revised Schedule RevReq 3-16 using Whole Life.
- c. Please provide the resultant theoretical reserve imbalance assuming Whole Life.

RESPONSE:

- a. Please see Energy 4-36 Attachment 1 (in Excel format) to this response for a schedule showing the whole life depreciation rates using the depreciation parameters recommended in the depreciation study as well as a comparison of the resulting depreciation rates and accruals using the remaining life and whole life techniques.
- b. Please see Energy 4-36 Attachment 2 (in Excel format) to this response for a revised Schedule RevReq 3-16 using the whole life technique. The revised Schedule RevReq 3-16 does not reflect the amortization of the theoretical reserve imbalance that would be necessary if the whole life technique is used.
- c. Please see Energy 4-36 Attachment 1 to this response for a schedule showing the theoretical reserve imbalance for each account. The Company's proposal is to use the remaining life technique, which effectively recovers the theoretical reserve imbalance over the remaining life for each account, except for general plant amortization accounts. For general plant amortization accounts the Company's proposal is to address the reserves for these accounts over 5 years.

NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION

SUMMARY OF ESTIMATED SURVIVOR CURVE, NET SALVAGE PERCENT, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AS OF DECEMBER 31, 2020
BASED ON THE WHOLE LIFE TECHNIQUE

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST AS OF DECEMBER 31, 2020 (4)	CALCULATED ANNUAL ACCRUAL AMOUNT (5)	RATE (6)	CALCULATED ACCRUED DEPRECIATION (7)	
GAS PLANT							
DISTRIBUTION PLANT							
375.00	STRUCTURES AND IMPROVEMENTS	55-R2.5	(10)	3,260,871.26	65,283	2.00	1,291,250
MAINS							
376.20	COATED AND WRAPPED	55-R2.5	(60)	29,746,227.02	866,210	2.91	11,688,236
376.40	PLASTIC	55-R2.5	(60)	120,342,184.10	3,504,364	2.91	34,937,879
376.60	CATHODIC PROTECTION	30-S5	(60)	1,082,739.45	57,688	5.33	612,441
TOTAL MAINS				151,171,150.57	4,428,262	2.93	47,238,556
378.20	MEASURING AND REGULATING STATION EQUIPMENT	30-R2	(20)	7,328,248.14	292,753	3.99	1,543,304
380.00	SERVICES	45-R2.5	(90)	82,897,046.71	3,494,067	4.22	32,473,287
381.00	METERS	30-R2	(15)	4,624,610.24	177,099	3.83	1,856,724
382.00	METER INSTALLATIONS	30-R3	(10)	26,001,685.36	952,442	3.66	8,709,961
383.00	HOUSE REGULATORS	30-R3	0	733,549.58	24,427	3.33	211,178
386.00	OTHER PROPERTY ON CUSTOMERS' PREMISES	12-R2	0	1,978,895.03	135,356	6.84	1,150,464
TOTAL DISTRIBUTION PLANT				277,936,056.89	9,569,689	3.44	94,474,724
GENERAL PLANT							
391.10	OFFICE FURNITURE AND EQUIPMENT	15-SQ	0	508,134.77	33,893	6.67	279,943
394.10	TOOLS, SHOP AND GARAGE EQUIPMENT FULLY ACCRUED AMORTIZED	25-SQ	0	115,969.89 1,314,451.52	0 52,578	- 4.00	115,969 537,121
TOTAL TOOLS, SHOP AND GARAGE EQUIPMENT				1,430,421.41	52,578	3.68	653,090
397.00	COMMUNICATION EQUIPMENT FULLY ACCRUED AMORTIZED	15-SQ	0	368,887.11 1,504,593.10	0 100,356	- 6.67	368,888 802,422
TOTAL COMMUNICATION EQUIPMENT				1,873,480.21	100,356	5.36	1,171,310
397.35	COMMUNICATION EQUIPMENT - ERTs FULLY ACCRUED AMORTIZED	15-SQ	0	1,814,148.86 1,655,997.32	0 110,455	- 6.67	1,814,149 773,241
TOTAL COMMUNICATION EQUIPMENT - ERTs				3,470,146.18	110,455	3.18	2,587,390
TOTAL GENERAL PLANT				7,282,182.57	297,282	4.08	4,691,733

NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION

SUMMARY OF ESTIMATED SURVIVOR CURVE, NET SALVAGE PERCENT, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AS OF DECEMBER 31, 2020
BASED ON THE WHOLE LIFE TECHNIQUE

DEPRECIABLE GROUP (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST	CALCULATED ANNUAL ACCRUAL		CALCULATED ACCURED DEPRECIATION (7)
			AS OF DECEMBER 31, 2020 (4)	AMOUNT (5)	RATE (6)	
LEAK PRONE PIPE						
376.30	MAINS - BARE STEEL		190,836.93	464,724	*	
376.50	MAINS - JOINT SEALS		542,145.01	0	*	
376.80	MAINS - CAST IRON		28,455.49	243,173	*	
TOTAL LEAK PRONE PIPE			761,437.43	707,897		
TOTAL UNRECOVERED RESERVE TO BE AMORTIZED				(145,798)		
TOTAL DEPRECIABLE PLANT			285,979,676.89	10,429,070	3.65	99,166,457
NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED						
303.02	INTANGIBLE SOFTWARE - 10 YEARS		2,064,603.93			
303.30	INTANGIBLE PLANT - MISCELLANEOUS SOFTWARE		5,176,113.26			
304.20	LAND RIGHTS		6,816.33			
374.40	LAND RIGHTS		89,111.32			
374.50	RIGHTS OF WAY		17,910.67			
389.10	LAND		232,946.85			
393.00	STORES EQUIPMENT		31,519.95			
396.00	POWER OPERATED EQUIPMENT		75,266.49			
397.25	COMMUNICATION EQUIPMENT - METSCAN		112,656.43			
TOTAL NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED			7,806,945.23			
TOTAL GAS PLANT			293,786,622.12			

* FIVE-YEAR AMORTIZATION OF UNRECOVERED LEAK PRONE PIPE COSTS.

** FIVE-YEAR AMORTIZATION OF UNRECOVERED RESERVE RELATED TO IMPLEMENTATION OF AMORTIZATION ACCOUNTING.

NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION

COMPARISON OF WHOLE LIFE AND REMAINING LIFE DEPRECIATION RATES AND ACCRUALS AS OF DECEMBER 31, 2020

DEPRECIABLE GROUP (1)	ORIGINAL COST AS OF DECEMBER 31, 2020 (2)	REMAINING LIFE (PROPOSED)				WHOLE LIFE				ACCRUAL DIFFERENCE (11)=(9)-(5)	
		SURVIVOR CURVE (3)	NET SALVAGE PERCENT (4)	CALCULATED ANNUAL ACCRUAL		SURVIVOR CURVE (7)	NET SALVAGE PERCENT (8)	CALCULATED ANNUAL ACCRUAL			
				AMOUNT (5)	RATE (6)			AMOUNT (9)	RATE (10)		
DISTRIBUTION PLANT											
375.00	STRUCTURES AND IMPROVEMENTS	3,260,871.26	55-R2.5	(10)	89,338	2.74	55-R2.5	(10)	65,283	2.00	(24,055)
	MAINS										
376.20	COATED AND WRAPPED	29,746,227.02	55-R2.5	(60)	1,123,107	3.78	55-R2.5	(60)	866,210	2.91	(256,897)
376.40	PLASTIC	120,342,184.10	55-R2.5	(60)	3,460,577	2.88	55-R2.5	(60)	3,504,364	2.91	43,787
376.60	CATHODIC PROTECTION	1,082,739.45	30-S5	(60)	50,271	4.64	30-S5	(60)	57,688	5.33	7,417
	TOTAL MAINS	151,171,150.57			4,633,955	3.07			4,428,262	3.75	(205,693)
378.20	MEASURING AND REGULATING STATION EQUIPMENT	7,328,248.14	30-R2	(20)	356,985	4.87	30-R2	(20)	292,753	3.99	(64,232)
380.00	SERVICES	82,837,046.71	45-R2.5	(90)	3,654,478	4.41	45-R2.5	(90)	3,494,067	4.22	(160,411)
381.00	METERS	4,624,610.24	30-R2	(15)	247,087	5.34	30-R2	(15)	177,099	3.83	(69,988)
382.00	METER INSTALLATIONS	26,001,685.36	30-R3	(10)	1,098,766	4.23	30-R3	(10)	952,442	3.66	(146,324)
383.00	HOUSE REGULATORS	733,549.58	30-R3	0	24,378	3.32	30-R3	0	24,427	3.33	49
386.00	OTHER PROPERTY ON CUSTOMERS' PREMISES	1,978,895.03	12-R2	0	224,826	11.36	12-R2	0	135,356	6.84	(89,470)
	TOTAL DISTRIBUTION PLANT	277,936,056.89			10,329,813	3.72			9,569,689	3.44	(760,124)
GENERAL PLANT											
391.10	OFFICE FURNITURE AND EQUIPMENT	508,134.77	15-SQ	0	33,877	6.67	15-SQ	0	33,893	6.67	16
394.10	TOOLS, SHOP AND GARAGE EQUIPMENT FULLY ACCRUED AMORTIZED	115,969.89 1,314,451.52	25-SQ	0	0 52,539	- 4.00	25-SQ	0	0 52,578	- 4.00	0 39
	TOTAL TOOLS, SHOP AND GARAGE EQUIPMENT	1,430,421.41			52,539	3.67			52,578	3.68	39
397.00	COMMUNICATION EQUIPMENT FULLY ACCRUED AMORTIZED	368,887.11 1,504,593.10	15-SQ	0	0 100,381	- 6.67	15-SQ	0	0 100,356	- 6.67	0 (25)
	TOTAL COMMUNICATION EQUIPMENT	1,873,480.21			100,381	5.36			100,356	5.36	(25)
397.35	COMMUNICATION EQUIPMENT - ERTs FULLY ACCRUED AMORTIZED	1,814,148.86 1,655,997.32	15-SQ	0	0 110,435	- 6.67	15-SQ	0	0 110,455	- 6.67	0 20
	TOTAL COMMUNICATION EQUIPMENT - ERTs	3,470,146.18			110,435	3.18			110,455	3.18	20
	TOTAL GENERAL PLANT	7,282,182.57			297,232	4.08			297,282	4.08	50
LEAK PRONE PIPE											
376.30	MAINS - BARE STEEL	190,836.93			464,724	*			464,724	*	0
376.50	MAINS - JOINT SEALS	542,145.01			0	*			0	*	0
376.80	MAINS - CAST IRON	28,455.49			243,173	*			243,173	*	0
	TOTAL LEAK PRONE PIPE	761,437.43			707,897				707,897		0
	RESERVE ADJUSTMENT FOR AMORTIZATION				(147,312)				(145,798)		1,515
	TOTAL DEPRECIABLE PLANT	285,979,676.89			11,187,630	3.91			10,429,070	3.65	(758,559)

* FIVE-YEAR AMORTIZATION OF UNRECOVERED LEAK PRONE PIPE COSTS.

** FIVE-YEAR AMORTIZATION OF UNRECOVERED RESERVE RELATED TO IMPLEMENTATION OF AMORTIZATION ACCOUNTING.

NORTHERN UTILITIES, INC.
NEW HAMPSHIRE DIVISION

COMPARISON OF THE CALCULATED ACCRUED DEPRECIATION AND BOOK DEPRECIATION RESERVE
AS OF DECEMBER 31, 2020

DEPRECIABLE GROUP (1)	CALCULATED ACCRUED DEPRECIATION (2)	BOOK DEPRECIATION RESERVE (3)	RESERVE IMBALANCE (4)=(3)-(2)	
GAS PLANT				
DISTRIBUTION PLANT				
375.00	STRUCTURES AND IMPROVEMENTS	1,291,250	0	(1,291,250)
MAINS				
376.20	COATED AND WRAPPED	11,688,236	4,224,164	(7,464,072)
376.40	PLASTIC	34,937,879	36,382,883	1,445,004
376.60	CATHODIC PROTECTION	612,441	682,660	70,219
TOTAL MAINS		47,238,556	41,289,708	(5,948,848)
378.20	MEASURING AND REGULATING STATION EQUIPMENT	1,543,304	666,376	(876,928)
380.00	SERVICES	32,473,287	28,479,497	(3,993,790)
381.00	METERS	1,856,724	1,226,613	(630,111)
382.00	METER INSTALLATIONS	8,709,961	6,859,297	(1,850,664)
383.00	HOUSE REGULATORS	211,178	212,401	1,223
386.00	OTHER PROPERTY ON CUSTOMERS' PREMISES	1,150,464	0	(1,150,464)
TOTAL DISTRIBUTION PLANT		94,474,724	78,733,892	(15,740,832)
LEAK PRONE PIPE				
376.30	MAINS - BARE STEEL		(2,132,784) *	(2,132,784)
376.50	MAINS - JOINT SEALS		542,145 *	542,145
376.80	MAINS - CAST IRON		(1,187,409) *	(1,187,409)
TOTAL LEAK PRONE PIPE		0	(2,778,047)	(2,778,047)
TOTAL DEPRECIABLE PLANT		94,474,724	75,955,845	(18,518,879)
AMORTIZED PLANT				
391.10	OFFICE FURNITURE AND EQUIPMENT	279,943	298,078 **	18,135
394.10	TOOLS, SHOP AND GARAGE EQUIPMENT	653,090	785,741 **	132,651
397.00	COMMUNICATION EQUIPMENT	1,171,310	1,570,602 **	399,292
397.35	COMMUNICATION EQUIPMENT - ERTs	2,587,390	2,766,299 **	178,909
TOTAL AMORTIZED PLANT		4,691,733	5,420,721	728,988

* FIVE-YEAR AMORTIZATION OF UNRECOVERED LEAK PRONE PIPE COSTS.

** FIVE-YEAR AMORTIZATION OF UNRECOVERED RESERVE RELATED TO IMPLEMENTATION OF AMORTIZATION ACCOUNTING.

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
DEPRECIATION ANNUALIZATION USING WHOLE LIFE METHODOLOGY
12 MONTHS ENDED DECEMBER 31, 2020

LINE NO.	(1) DESCRIPTION	(2)	(3)	(4)
		PLANT BALANCE 12/31/20	WHOLE LIFE DEPRECIATION RATES ⁽¹⁾	PROFORMED DEPRECIATION EXPENSE
1	Amortizable Plant:			
2	303 Misc Intangible Plant	\$ 12,826,347	N/A	N/A
3	Total Amortizable Plant	12,826,347	N/A	-
4	Mfg. Gas Produc. Plant:			
5	304.2 Land & Rights - Mfg Gas Prod. Pl	6,816	N/A	N/A
6	305 Struct. And Improvements	-	N/A	N/A
7	320 Other Equipment	-	N/A	N/A
8	321 LNG Equipment	-	N/A	N/A
9	Total Mfg Gas Prod. Plant	6,816	N/A	-
10	Distribution Plant:			
11	374.4 Land Rgts, Other Distr Sy	89,111	N/A	N/A
12	374.5 Land Rgts, Rights Of Way	17,911	N/A	N/A
13	375.2 Structures - City Gate Meas & Reg	43,350	2.00%	867
14	375.7 Structures - Other Dist Sys	3,217,521	2.00%	64,350
15	376.2 Mains - Coated/Wrapped	29,746,227	2.91%	865,615
16	376.3 Mains - Bare Steel	190,837	N/A	N/A
17	376.4 Mains - Plastic	120,342,184	2.91%	3,501,958
18	376.5 Mains - Joint Seals	542,145	N/A	N/A
19	376.6 Mains - Cathodic Protection	1,082,739	5.33%	57,710
20	376.8 Mains - Cast Iron	28,455	N/A	N/A
21	378.2 Mea & Reg Station Eq, Regulating	7,288,982	3.99%	290,830
22	379 Mea & Reg Ta-G	39,266	3.99%	1,567
23	380 Services	82,837,047	4.22%	3,495,723
24	381 Meters	4,624,610	3.83%	177,123
25	382 Meter Installations	26,001,685	3.66%	951,662
26	383 House Regulators	733,550	3.33%	24,427
27	386 Water Heaters/Conversion Burners	1,978,895	6.84%	135,356
28	Total Distribution Plant	278,804,516	3.44%	9,567,188
29	General Plant:			
30	389.1 Land	232,947	N/A	N/A
31	391.10 Off Furn & Eq.- Unspecified	508,135	6.67%	33,893
32	393 Stores Equipment	31,520	N/A	N/A
33	394.10 Tools, Garage & Service Equipment	1,430,421	3.68%	52,640
34	396 Power Operated Equipment	75,266	N/A	N/A
35	397 Communication Equipment	1,873,480	5.36%	100,419
36	397.25 Metscan Communication Equip	112,656	N/A	N/A
37	397.35 ERT Automatic Reading Dev	3,470,146	3.18%	110,351
38	Total General Plant	7,734,572	4.08%	297,303
39	Total Plant in Service	\$ 299,372,252	3.46%	\$ 9,864,491
40	<u>Reserve Adjustment For Amortization ⁽¹⁾</u>			
41	391.10 Off Furn & Eq.- Unspecified			(3,627)
42	394.10 Tools, Garage & Service Equipment			(26,530)
43	397 Communication Equipment			(79,858)
44	397.35 ERT Automatic Reading Dev			(35,782)
45	Total Reserve Adjustment for Amortization			(145,798)
46	<u>Leak Prone Pipe ⁽¹⁾</u>			
47	376.3 Mains - Bare Steel			464,724
48	376.8 Mains - Cast Iron			243,173
49	Total Leak Prone Pipe Amortization			707,897
50	Total Pro Forma Depreciation Expense (Line 39 + Line 45 + Line 49)			10,426,590
51	Annualized Test Year Expense ⁽²⁾			\$ 9,345,585
52	Increase in Depreciation Expense			\$ 1,081,005

Notes

(1) Refer to Energy 4-36 Attachment 1

(2) Refer to Schedule RevReq-3-16, Page 1 of 2, Line 39

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Tech Session Set 1

Date Request Received: 1/27/22
Request No. Energy TS 1-12

Date of Response: 2/10/22
Witness: N. Allis / C. Goulding / D. Nawazelski

REQUEST:

Depreciation. Follow up to Energy 4-36.

- a. Please confirm that under Whole Life, the pro forma depreciation expense would be \$10,426,590. If the amount is different, please provide the correct amount and where it is located in the response to Energy 4-36
- b. Please confirm that under Whole Life, the Reserve Imbalance that needs to be amortized is \$(18,518,879). If the amount is different, please provide the correct amount and where it is located in the response to Energy 4-36.

RESPONSE:

- a. Confirmed that the annualized depreciation expense shown in Energy 4-36 Attachment 2 is \$10,426,590 using the whole life technique. This amount does include the reserve adjustment for general plant amortization accounts but does not include any amortization of the theoretical reserve imbalance.
- b. Confirmed that the theoretical reserve imbalance calculated using the estimates from the depreciation study is negative \$18,518,579. This amount does not include general plant amortization accounts, for which Mr. Allis would recommend a five-year amortization if either the remaining life or whole life technique were used. The negative \$18,518,579 amount is the reserve imbalance to be amortized using the whole life technique, resulting in a positive amortization amount.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-38

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

REQUEST:

Amortization. Reference W7.1, W7.2, Bates 284–285.

- a. Rate Year Additions. For each project, please provide a description of the project and when it was placed in service.
 - i. FCS Upgrade (line 82) Total Project Costs \$1,041
 - ii. 2020 IT Infrastructure Budget (line 83) Total Project Costs \$19,607
 - iii. 2020 Customer Facing Enhancements (line 84) Total Project Costs \$25,018
 - iv. 2020 Interface Enhancements (line 85) Total Project Costs \$1,800
 - v. 2020 General Software Enhancements (line 86) Total Project Costs \$874
 - vi. Reporting Blanket (line 87) Total Project Costs \$7,763
 - vii. Power Plan Upgrade (line 88) Total Project Costs \$1,840
- b. Change in Amortization Expense. Please explain the reason for the difference between the test year and rate year amounts for the following projects.

Workpaper 7.1 2020			Workpaper 7.2 RATE YEAR			
LINE NO.	DESCRIPTION	AMORTIZATION EXPENSE	LINE NO.	DESCRIPTION	AMORTIZATION EXPENSE	Difference
5	2019 Voice System Repl	23,321	5	2019 Voice System Repl	24,036	\$ 715
6	2019 Interface Enhancements	1,355	6	2019 Interface Enhancements	1,313	-\$ 42
7	Customer Facing Enhancements	23,543	7	Customer Facing Enhancements	23,219	-\$ 324
66	FCS Upgrade	155	55	FCS Upgrade	157	\$ 2
67	FCS Upgrade	75	56	FCS Upgrade	90	\$ 15
68	FCS Upgrade	847	57	FCS Upgrade	1,927	\$ 1,080
69	MARSGEM Enhancements	2,150	58	MARSGEM Enhancements	5,160	\$ 3,010
70	General Software Enhancements 2019	2,209	59	General Software Enhancements 2019	2,230	\$ 21
71	WebOps Replacement	2,408	60	WebOps Replacement	2,479	\$ 71
72	2019 Reporting Blanket	1,836	61	2019 Reporting Blanket	4,406	\$ 2,570
73	Infrastructure PC & Network 2019	39,585	62	Infrastructure PC & Network 2019	39,319	-\$ 266
74	2019 Regulatory Work Blanket	467	63	2019 Regulatory Work Blanket	1,122	\$ 655
75	LocusView Mobile Data Collections	907	64	LocusView Mobile Data Collections	2,176	\$ 1,269
76	Compliance Mgmt Sys Enhancements	3,246	65	Compliance Mgmt Sys Enhancements	3,510	\$ 264
77	GIS Enhancements	333	66	GIS Enhancements	800	\$ 467
78	Gas SCADA-Historical Database	435	67	Gas SCADA-Historical Database	1,044	\$ 609
79	Metersense Upgrade 2020	112	68	Metersense Upgrade 2020	1,345	\$ 1,233
80	Power Plan Upgrade	1,143	69	Power Plan Upgrade	14,205	\$ 13,062
81	Cyber Security Enhancements	365	70	Cyber Security Enhancements	4,383	\$ 4,018
82	2020 IT Infrastructure Budget	5,020	71	2020 IT Infrastructure Budget	63,804	\$ 58,784
83	2020 Customer Facing Enhancements	2,310	72	2020 Customer Facing Enhancements	28,287	\$ 25,977
84	2020 Interface Enhancements	486	73	2020 Interface Enhancements	5,831	\$ 5,345
85	2020 General Software Enhancements	14	74	2020 General Software Enhancements	166	\$ 152
86	Reporting Blanket	443	75	Reporting Blanket	5,317	\$ 4,874
87	Pipeline Compliance Syst. Integ.	1,186	76	Pipeline Compliance Syst. Integ.	14,231	\$ 13,045
88	EE Tracking & Reporting System	601	77	EE Tracking & Reporting System	7,217	\$ 6,616
89	MV-90xi Upgrade v 4.5 to 6.0	160	78	MV-90xi Upgrade v 4.5 to 6.0	1,916	\$ 1,756
90	MV-90 Comm Bank Module	577	79	MV-90 Comm Bank Module	639	\$ 62
91	Salesforce Gas Sales Reporting	252	80	Salesforce Gas Sales Reporting	3,024	\$ 2,772
92	LocusView Paperless Work Flows	436	81	LocusView Paperless Work Flows	5,236	\$ 4,800
		\$ 115,977			\$ 268,589	\$ 152,612

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Department of Energy Data Requests – Set 4

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Request No. Energy 4-38

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

RESPONSE:

- a. See responses below. Please see Energy 4-38 Attachment 1 for the authorizations for each of the requested projects. Each authorization supplies the scope and justification of the project. The Company will update its revenue requirement for these final costs during the course of this proceeding.
 - i. FCS Upgrade was placed into service in March 2021 at a cost of \$27,125 to be amortized over a 5-year period resulting in annual amortization expense of \$5,425.
 - ii. 2020 IT Infrastructure was placed into service in April 2021 at a cost of \$338,113 to be amortized over a 5-year period resulting in annual amortization expense of \$67,623.
 - iii. 2020 Customer Facing Enhancements was placed into service in April 2021 at a cost of \$163,139 to be amortized over a 5-year period resulting in annual amortization expense of \$32,628.
 - iv. 2020 Interface Enhancements was placed into service in April 2021 at a cost of \$32,566 to be amortized over a 5-year period resulting in annual amortization expense of \$6,513.
 - v. 2020 General Software Enhancements was placed into service in April 2021 at a cost of \$1,952 to be amortized over a 5-year period resulting in annual amortization expense of \$390.
 - vi. Reporting Blanket (line 87) was placed into service in April 2021 at a cost of \$25,045 to be amortized over a 5-year period resulting in annual amortization expense of \$5,009.
 - vii. Power Plan Upgrade was placed into service in August 2021 at a cost of \$81,136 to be amortized over a 5-year period resulting in annual amortization expense of \$16,227.

- b. Please see Energy 4-38 Attachment 2 for a listing of the projects shown above with reasons and differences between the Test Year and Rate Year files. There were 9 projects identified and noted as “A” in the attachment that in the initial filing did not include annual amortization at the total cost level. In these cases the Company began amortizing the project based on a total project cost that was updated to reflect final costs received during the test year. Next, there were 12 projects identified and noted as “B” that were placed into service in 2020 but that did not reflect a full year of amortization. There were 8 projects identified and noted as “C” that were placed into service as of December 31, 2020 but did not reflect final invoices which were closed to plant in service in 2021. These projects have been updated to reflect final actual

Northern Utilities, Inc.
Docket No. DG 21-104
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Witness: C. Goulding / D. Nawazelski

costs and annual amortization expense. Lastly, there was one project identified and noted as “D” that the Company inadvertently included incorrect total project costs and associated amortization expense.

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
RATE YEAR AMORTIZATION EXPENSE ANALYSIS

DG 21-104
Energy 4-38 Attachment 2
Page 1 of 1

LINE NO.	(1) DESCRIPTION	(2) TOTAL PROJECT COST	(3) ANNUAL AMORTIZATION EXPENSE	(4) NOTES
1	Northern Utilities 303-Intangible Plant:			
5	2019 Voice System Repl	239,694	24,036	a
6	2019 Interface Enhancements	13,177	1,313	a
7	Customer Facing Enhancements	232,484	23,219	a
55	FCS Upgrade	779	157	d
56	FCS Upgrade	451	90	a
57	FCS Upgrade	9,038	1,927	b
58	MARS/GEM Enhancements	25,798	5,160	b
59	General Software Enhancements 2019	11,825	2,230	a
60	WebOps Replacement	13,547	2,479	a
61	2019 Reporting Blanket	22,028	4,406	b
62	Infrastructure PC & Network 2019	196,345	39,319	a
63	2019 Regulatory Work Blanket	5,608	1,122	b
64	LocusView Mobile Data Collections	10,880	2,176	b
65	Compliancy Mgmt Sys Enhancements	17,992	3,510	a
66	GIS Enhancements	3,998	800	b
67	Gas SCADA-Historical Database	5,219	1,044	b
68	Metersense Upgrade 2020	1,549	236	c
69	Power Plan Upgrade	81,136	15,546	c
70	Cyber Security Enhancements	21,917	4,383	a
71	2020 IT Infrastructure Budget	338,113	64,472	c
72	2020 Customer Facing Enhancements	163,139	31,197	c
73	2020 Interface Enhancements	32,566	6,222	c
74	2020 General Software Enhancements	1,952	383	c
75	Reporting Blanket	25,045	4,707	c
76	Pipeline Compliance Syst. Integ.	71,157	14,231	b
77	EE Tracking & Reporting System	36,085	7,217	b
78	MV-90xi Upgrade v 4.5 to 6.0	9,579	1,916	b
79	MV-90 Comm Bank Module	3,327	639	b
80	Salesforce Gas Sales Reporting	15,227	2,789	c
81	LocusView Paperless Work Flows	26,180	5,236	b

Notes:

- a - Projects shown at final cost and annual amortization reflects full year at final cost level
- b - Projects shown with full year amortization
- c - Projects shown with updated final project costs and annual amortization
- d - Company inadvertently provided incorrect Total Cost and Amortization in initial filing

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-39

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

REQUEST:

Amortization. Reference Schedule RevReq-3-17, Bates 159, Reference W7.1, and W7.4, Bates 284–287.

- a. Please identify the projects and amounts that were not in service as of 12/31/2020.

RESPONSE:

- a. Line 15 SOX Modernization \$75,517 was placed in service in February 2021. Line 16 USC Time & Billing was budgeted at \$587,704 and the project was placed in service in November 2021 at a cost of \$625,663. Line 17 2020 Flexi Upgrade \$25,531 was placed in service in February 2021.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-26

Date of Response: 12/20/21
Witness: J. Closson / J. Conneely

REQUEST:

Payroll Taxes. Reference Schedule RevReq-3-20. Please provide the pay increase amount in excess of the 2021 Social Security Wage Limit of \$142,800 and explain how the Company's adjustment reflects the limit.

RESPONSE:

Please see Energy 4-26 Attachment 1. The Company will update its initially filed Schedule RevReq-3-20 with the amounts provided in Energy 4-26 Attachment 1 when it files updated Revenue Requirement schedules.

NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT - WAGE INCREASES
12 MONTHS ENDED DECEMBER 21, 2020

DG 21-104
Energy 4-26 Attachment 1
Page 1 of 3

LINE NO.	(1) DESCRIPTION	(2) Social Security	(3) Medicare	(4) Total
1	Increase in O&M Payroll / Compensation due to Annual Rate Increases ⁽¹⁾	\$ 554,442	\$ 554,442	
2	Less Pay Increase Amounts in Excess of Taxable Limit ⁽²⁾			
3	Northern Utilities, Inc. ⁽³⁾	(2,564)		
4	Unitil Service Corp. ⁽⁴⁾	(24,305)		
5	O&M Payroll / Compensation Increase Subject to Payroll Taxes	<u>527,573</u>	<u>554,442</u>	
6	Payroll Tax Rates	<u>6.20%</u>	<u>1.45%</u>	
7	Increase in Payroll Taxes	<u>\$ 32,710</u>	<u>\$ 8,039</u>	<u>\$ 40,749</u>

Notes

- (1) Refer to Schedule RevReq-3-4, Page 1 of 2
- (2) 2021 Social Security Wage Limit of \$142,800
- (3) Refer to Workpaper 8.1
- (4) Refer to Workpaper 8.2

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT
12 MONTHS ENDED DECEMBER 21, 2020**

**DG 21-104
Energy 4-26 Attachment 1
Page 2 of 3**

LINE NO.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	2020 Wages Subj. to Pay Increase ⁽¹⁾	Union Increases			Nonunion Increases		Total Proformed Wages	Wage Increase Exclusion
		2020 3.0%	2021 3.0%	2022 3.0%	2021 3.12%	2022 3.12%		
1	\$ 160,382	-	-	-	\$ 5,004	\$ 5,004	\$ 170,390	\$ 5,004
2	Amount Chargeable to Capital at		48.76%					<u>(2,440)</u>
3	Pay Increase to O&M not subject to SS tax - above 2021 annual limit of \$142,800							<u>\$ 2,564</u>

Notes

(1) For Northern Utilities, Inc. - New Hampshire division employees whose pay increases exceed the wage limit of \$142,800 subject to Social Security tax

**NORTHERN UTILITIES, INC. - NEW HAMPSHIRE
PAYROLL TAX ADJUSTMENT
UNITIL SERVICE CORP.
12 MONTHS ENDED DECEMBER 31, 2020**

**DG 21-104
Energy 4-26 Attachment 1
Page 3 of 3**

LINE NO.	(1)	(2)	(3)	(4)	(5)
	2020 Wages Subj. to Pay Increase ⁽¹⁾	Pay Increases		Total Proformed Payroll	Payroll Increase Exclusion
		2021 4.40%	2022 4.40%		
1	\$ 7,922,472	\$ 348,589	\$ 363,927	\$ 8,634,988	\$ 178,772
2	Amount Charged to NuNH at		19.85%		35,486
3	Amount Chargeable to Capital at		31.51%		<u>(11,182)</u>
4	Pay Increase to O&M not subject to SS Tax above 2021 annual limit of \$142,800				<u>\$ 24,305</u>

Notes

(1) For Unitil Service Corp. employees whose pay increases exceed the wage limit of \$142,800 subject

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-7

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

REQUEST:

Cash Working Capital. Reference RevReq-5-2, Bates 174, and Excel file "Filing Requirement Schedules and RevReq Schedules, Tab 5-2, Cell I13. The formula for Test Year Actual includes a hardcoded number, \$(248,009.66). Please explain the number, the source of the number, and why it was reflected in the calculation.

RESPONSE:

The hard coded number reduces O&M expense for test year non-cash bad debt expense in order to correctly calculate the Company's cash working capital. This amount can be seen on RevReq 3-5, Line 6.

Northern Utilities, Inc.
Docket No. DG 21-104
Department of Energy Data Requests – Set 4

Date Request Received: 12/6/21
Request No. Energy 4-37

Date of Response: 12/20/21
Witness: C. Goulding / D. Nawazelski

REQUEST:

USC Amortization. Reference W7.3, and W7.4, Bates 286–287.

- a. Rate Year Additions. For each project, please provide a description of the project and when it was placed in service.
 - i. SOX Modernization (line 15) Total Project Cost \$75,517
 - ii. USC Time & Billing Upgrade/Replacement (Line 16) Total Project Cost \$587,704
 - iii. 2020 Flexi Upgrade (Line 17) Total Project Cost \$25,531
- b. Change in Amortization Expense. Please explain the reason for the difference between the test year and rate year amounts for the following projects.

		Workpaper 7.3		Workpaper 7.4	
		2020		RATE YEAR	
LINE NO.	DESCRIPTION	AMORTIZATION EXPENSE	LINE NO.	DESCRIPTION	AMORTIZATION EXPENSE
10	ADP Vacation Enhancements	687	7	ADP Vacation Enhancements	115
11	General Infrastructure Enhancements	2,377	8	General Infrastructure Enhancements	396
15	IT Control Testing Automation	21,339	12	IT Control Testing Automation	64,018
16	HR & Payroll Record Scanning	1,794	13	HR & Payroll Record Scanning	5,383
17	USC 2019 Furniture & PC's	20,714	14	USC 2019 Furniture & PC's	62,142
		46,911			132,054
					85,143

RESPONSE:

- a. See below.
 - i. Sox Modernization – This project was placed in service in February 2021. Please see Energy 4-37 Attachment 1 for the authorizations with the description of the project. The actual project cost was \$75,517.
 - ii. USC Time & Billing Upgrade/Replacement – This project was placed in service in November 2021. Please see Energy 4-37 Attachment 2 for the authorizations with the description of the project. The actual project cost was \$625,663.
 - iii. 2020 Flexi Upgrade – This project was placed in service in February 2021. Please see Energy 4-37 Attachment 3 for the authorizations with the description of the project. The actual project cost was \$25,531.
- b. See below

Northern Utilities, Inc.
Docket No. DG 21-104
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- i. Lines 10 & 11 are only showing 2 months and should reflect 12 months, \$687 and \$2,377 respectively. The Company will update its revenue requirement model for this change during the course of the proceeding.
- ii. Lines 15 – 17 were new projects in 2020 that were placed into service in September 2020 and amortized for only 4 months. The Rate Year reflects the full 12 months of amortization.