

**NORTHERN UTILITIES, INC.**

**REVISED DIRECT TESTIMONY OF  
CHRISTOPHER J. GOULDING**

**EXHIBIT CJG-1 (Revised)**

**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DG 21-123**

1    **I.    INTRODUCTION**

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

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

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

6    A.    I am the Director of Rates and Revenue Requirements for Unitil Service Corp.  
7        (“Unitil Service”), a subsidiary of Unitil Corporation that provides managerial,  
8        financial, regulatory and engineering services to Unitil Corporation’s utility  
9        subsidiaries including Northern Utilities, Inc., which has operating divisions in  
10       New Hampshire and Maine (the New Hampshire operating division is hereinafter  
11       referred to as “Northern or the “Company”). My responsibilities include all rate  
12       and regulatory filings related to the financial requirements of Northern and  
13       Unitil’s other subsidiaries.

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

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

1   **Q.    Have you previously testified before the Commission or other regulatory**  
2       **agencies?**

3    A.    Yes.

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

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

7   **II.   COST RECOVERY PROPOSAL**

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

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

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

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

19               "Utility company assets" means the following property not exempt under  
20       RSA 72:23:

21               (2) For a gas company providing gas service to retail customers:

22               distribution pipes, fittings, meters, pressure reducing stations, buildings,

1 contributions in aid of construction (CIAC), construction works in  
2 progress (CWIP), and land rights including use of the public rights of way,  
3 easements on private land owned by third parties, and land owned in fee  
4 by the gas company.

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

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

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

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

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

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

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

1     A.     The Company calculated that the amount of property tax recovery currently in  
2           rates is \$4,537,262 by adding the allowed property tax recovery amounts allowed  
3           as part of the last rate case in Docket No. DG 17-070 and the property tax  
4           recovery amounts allowed in the subsequent step increases on May 1, 2018 and  
5           May 1, 2019. The amount was then further assigned to the following three  
6           categories: 1) state property tax recovery; 2) local – building property tax  
7           recovery; and 3) local - utility plant property tax recovery, based on the  
8           proportion of recovery from the last rate case. This resulted in \$1,044,300 of state  
9           property tax recovery, \$32,324 of local – building property tax recovery and  
10          \$3,460,638 of local – utility plant property tax recovery. The calculation can be  
11          seen on lines 1 through 5 on page 1 of Schedule CJG-1(Revised). The town by  
12          town detail is on page 2 of Schedule CJG-1(Revised) and include references to  
13          each towns invoices provided in Schedule CJG-4.

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

15    A.     As shown on line 6 of Schedule CJG-1(Revised), the total property tax expense  
16           for the Company in 2020 was \$5,250,263 of which \$1,235,986 was for state  
17           property taxes, \$30,220 was for local – building property taxes, and \$3,984,057  
18           was for local – utility plant property taxes.

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

21    A.     As shown on line 7 of Schedule CJG-1(Revised), the 2020 property tax expense  
22           was \$713,101 higher than the amount currently included in rates.

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

3    A.    The total 2020 local property tax expense was \$521,315 higher than the amount  
4       currently recovered in rates as shown on col 5, line 8 of Schedule CJG-  
5       1(Revised). The 2020 local – building property tax expense was \$2,104 lower and  
6       the 2020 local – utility plant property tax expense was \$523,419 higher than the  
7       amount currently recovered in rates.

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

10   A.    The Company is proposing to recover the increase in property taxes associated  
11       with HB 700 in a new rate component included in the Company's Local  
12       Distribution Adjustment Clause ("LDAC"). The new rate component, the  
13       Regulatory Cost Adjustment Mechanism ("RCAM") will also include recovery of  
14       the portion of the regulatory assessment not recovered in base rates, which is  
15       currently recovered in the Gas Assistance Program & Regulatory Assessment  
16       ("GAPRA"). Upon approval of the RCAM, the portion of the regulatory  
17       assessment recovered via the GAPRA will end and be moved to the RCAM.

18   **Q.    Are there changes that need to be made to the LDAC tariff?**

19   A.    Yes. Revisions to the LDAC tariff in red-line are included as Schedule CJG-2.  
20       The Company expects to file a revised LDAC tariff as a part of the compliance  
21       filing in the Company's 2021 Winter Cost of Gas filing in Docket No. DG 21-  
22       131.

1    **Q.     Please describe the timing of the recovery associated with the increase in the**  
2       **2020 local property tax expense.**

3    A.     For 2020, the total local property tax reconciliation under-recovery was \$521,315.  
4           This under-recovery, plus the estimated regulatory assessment for the November  
5           2021 – October 2022 period, would provide the basis for the RCAM rate  
6           component effective November 1, 2021 and be included in the LDAC charge. In  
7           its subsequent 2022 Winter Cost of Gas Filing the Company will provide a  
8           reconciliation of the November 2021 – October 2022 period and forecasted costs  
9           for the November 2022 – October 2023 period.

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

11   A.     The Company is requesting that the Commission approve the recovery of  
12           \$521,315 of increased property taxes in 2020 related to the impacts of HB 700  
13           through a new reconciling mechanism called the RCAM that will be included in  
14           the Company's LDAC tariff, to move the recovery of the portion of the regulatory  
15           assessment costs currently included in the GAPRA to the RCAM, and approve the  
16           proposed modifications to the LDAC necessary to allow for the ongoing recovery  
17           of the reconciliation of local property taxes and other changes proposed herein.

18   **Q.     What is the impact to the LDAC related to recovery of the incremental**  
19       **property taxes?**

20   A.     As shown on Schedule CJG-3(Revised), using the current sales forecast, the  
21           recovery of property tax expense results in an increase of \$0.0069 per therm  
22           (Schedule CJG-3(Revised), Page 1, Line 1 + Line 3). This calculation has been

1 updated to reflect the latest regulatory assessment included in the GAPRA  
2 proposed for effect November 1, 2021.

3 **Q. What is the bill impact for an average residential heating customer?**

4 A. An average residential customer using 732 therms annual would see an annual  
5 increase in their annual bill of \$5.05.

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

7 A. Yes, it does.