

NORTHERN UTILITIES, INC.

DIRECT TESTIMONY

OF

CHRISTOPHER J. GOULDING,

KEVIN E. SPRAGUE

AND

CHRISTOPHER J. LEBLANC

EXHIBIT GSL-1

New Hampshire Public Utilities Commission

Docket No. DG 21-104

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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 My name is Kevin E. Sprague, and my business address is the same as Mr.
6 Goulding's.

7 My name is Christopher J. LeBlanc, and my business address is 325 West Road,
8 Portsmouth, New Hampshire.

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

10 A. I am the Director of Rates and Revenue Requirements for Unitil Service Corp.
11 ("Unitil Service"), a subsidiary of Unitil Corporation ("Unitil Corp" that provides
12 managerial, financial, regulatory and engineering services to Unitil Corp's utility
13 subsidiaries including Northern Utilities, Inc. ("Northern" or the "Company"). My
14 responsibilities include all rate and regulatory filings related to the financial
15 requirements of Northern and Unitil Corp's other subsidiaries.

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

17 A. In 2000 I was hired by NSTAR Electric & Gas Company ("NSTAR", now
18 Eversource Energy) and held various positions with increasing responsibilities in
19 Accounting, Corporate Finance and Regulatory. I was hired by Unitil Service in
20 early 2019 to perform my current job responsibilities. I earned a Bachelor of

1 Science degree in Business Administration from Northeastern University in 2000
2 and a Master's in Business Administration from Boston College in 2009.

3 **Q. Have you previously testified before this Commission or other regulatory**
4 **agencies?**

5 A. Yes, I have testified before the New Hampshire Public Utilities Commission (the
6 "Commission") on various financial, ratemaking and utility regulation matters,
7 including utility cost of service and revenue requirements analysis. I have also
8 testified before the Maine Public Utilities Commission and Massachusetts
9 Department of Public Utilities on similar matters on several occasions.

10 **Q. Mr. Sprague, what is your position and what are your responsibilities?**

11 A. I am Vice President of Engineering for Unitil Service. In this capacity, I manage
12 all engineering functions, including electric engineering, gas engineering,
13 computer-aided design and drafting, Geographic Information Systems ("GIS"),
14 and management of utility-owned land and property.

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

16 A. I have been employed by Unitil Service for over 25 years. I was originally hired
17 as an Associate Engineer in the Electric Distribution Engineering group. I have
18 held the positions of Engineer, Distribution Engineer, Manager of Distribution
19 Engineering, Director of Engineering and now Vice President of Engineering. I
20 accepted the Vice President of Engineering position in January of 2019. I hold a
21 Bachelor of Science in Electric Power Engineering from Rensselaer Polytechnic
22 Institute and a Master of Business Administration from the University of New

1 Hampshire.

2 **Q. Do you have any licenses that qualify you to speak to issues related to**
3 **engineering?**

4 A. Yes. I am a registered Professional Engineer in the State of New Hampshire and
5 the Commonwealth of Massachusetts.

6 **Q. Have you previously testified before the Commission, or other regulatory**
7 **agencies?**

8 A. Yes, I have testified on previous occasions before the Commission, the Maine
9 Public Utilities Commission and the Massachusetts Department of Public
10 Utilities. I also filed testimony in the Company's base rate case proceeding in DG
11 17-070.

12 **Q. Mr. LeBlanc, what is your position and what are your responsibilities?**

13 A. I am Vice-President of Gas Operations for Unitil Service. In this capacity, I am
14 responsible for managing all gas operations for Northern and Unitil's other
15 subsidiaries, including the safe, reliable, and efficient production, transportation
16 and delivery of natural gas service to customers.

17 **Q. Mr. LeBlanc, please summarize your professional and educational**
18 **background.**

19 A. I have more than 25 years of experience in the utility industry and an extensive
20 background in the operation, maintenance and construction of natural gas
21 distribution systems. I have been Operator Qualified in 84 covered tasks and have
22 had formal industry-specific training at the Gas Technology Institute in Gas
23 Distribution Operations, Transmission Operations, Pipeline Design and

1 Construction Practices and Regulator Station Design.

2

3 I joined Unutil Service in 2000 as a Field Technician and since then have
4 progressed through several positions of increasing responsibility including Project
5 Leader in 2002 and Manager, Gas Operations in 2003. I was promoted to
6 Director, Gas Operations in 2008 and was named Vice-President, Gas Operations
7 on January 1, 2017. Prior to joining Unutil Service, I was employed for nine years
8 at R.H. White Construction Company, where I was responsible for leading and
9 directing field crews in construction and installation of underground utility
10 infrastructure.

11

12 I hold a Bachelor of Arts degree in Business Administration from Assumption
13 College and a Master's degree in Business Administration from the same
14 institution. Additionally, I have completed civil engineering course work at the
15 University of Massachusetts, Lowell.

16 **Q. Have you previously testified before the Commission or other regulatory**
17 **agencies?**

18 A. Yes, I have testified before the Commission on numerous issues related to gas
19 safety and operations. In addition to the Commission, I have also testified before
20 the Massachusetts Department of Public Utilities and the Maine Public Utilities
21 Commission on issues related to gas safety and operations.

22 **II. SUMMARY OF TESTIMONY**

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

2 A. The purpose of our testimony is to present and support the Company's revenue
3 requirement for its 2022 Step Adjustment based on 2021 capital spending.

4 **Q. Please explain the increase for the 2022 Step Adjustment.**

5 A. The calculated 2022 Step Adjustment is \$2,355,084 for 2021 non growth capital
6 spending and is included in this testimony pursuant to the proposed 2021 Rate
7 Plan in DG 21-104. The 2022 Step Adjustment was derived by calculating the
8 revenue requirement associated with the annual Change in Non-Growth Net Plant
9 for the period January 1, 2021 through December 31, 2021. Additional details for
10 the 2022 Step Adjustment are provided later in this testimony.

11 **III. 2022 STEP ADJUSTMENT**

12 **Q. What was the Company's forecasted capital spending for calendar year 2021**
13 **for the 2022 Step Adjustment in docket DG 21-104?**

14 A. As shown on Table 1 (Bates 326) of the Company's pre-filed direct testimony of
15 Kevin Sprague and Christopher LeBlanc in docket DG 21-104, the forecasted
16 capital spending was \$30,048,049. This was based upon a five year capital budget
17 forecast that was developed in 2020. The actual 2021 plant additions and cost of
18 removal closed to plant was \$20,391,878.

19 **Q. Has the Company provided a summary of projects placed into service in**
20 **2021?**

1 A. Yes. Schedule GSL-1 provides a summary, by project, of capital additions placed
2 into service during calendar year 2021. This schedule provides each applicable
3 project's authorization number, budget code, associated FERC accounts,
4 installation costs, cost of removal, salvage, original and any subsequent
5 authorizations, budget, and date the project(s) were placed into service.
6 Importantly the summary also designates each project as Growth ("G") or Non-
7 Growth ("NG") and a split showing the amount of capital additions for each
8 category is provided. During calendar year 2021 the Company had \$19,749,334 of
9 additions with \$16,442,711, or 83% classified as Non-Growth.

10 **Q. Has the Company provided Capital Budget Input Sheets and Capital**
11 **Authorization requests?**

12 A. Yes. Schedule GSL-2 provides the Company's Capital Budget Input Sheets and
13 Capital Authorizations for all investments placed into service during 2021.
14 Capital Budget Input Sheets provide the scope, justification and raw budget inputs
15 used by the capital budget system to calculate the budgeted amount. The Capital
16 Authorizations provide further detail on the scope and justification for the project,
17 the budgeted amount, and the authorized amount. If any subsequent Revised or
18 Supplemental Authorizations were required the Company has provided those
19 documents as well.

20 **Q. Has the Company provided Cost Records for projects placed in service in**
21 **2021?**

1 A. Yes. Schedule GSL-3 provides the Company's Cost Records for specific projects
2 placed in service in 2021. Schedule GSL-4 provides the Company's Cost Records
3 for blanket projects placed in service in 2021.

4 **Q. Please describe the derivation of Rate Base on page 1 of Schedule GSL-5.**

5 A. Rate Base is calculated by sourcing lines 1 and 2 from the Company's plant
6 accounting records summarized in Schedule GSL-1 to arrive at the investment
7 year 2021 Non-Growth Capital Expenditures as shown on line 3. Accumulated
8 Depreciation is calculated on line 4 by taking 50% of the calculated Depreciation
9 Expense which is calculated on Line 20. Next, Accumulated Depreciation is
10 removed from the investment year 2021 Non-Growth Capital Expenditures to
11 derive Net Utility Plant as shown on line 5. Then Accumulated Deferred Income
12 Taxes (ADIT) is calculated on line 6 by applying the Effective Income Tax Rate
13 to the difference between Book and Tax Depreciation as shown on lines 18-26.
14 Lastly, ADIT is deducted from Net Utility Plant to get the Rate Base associated
15 with the investment year 2021 Non-Growth Capital Expenditures as shown on
16 line 7 of \$16,736,837.

17 **Q. Please describe the derivation of Revenue Requirement on page 1 of**
18 **Schedule GSL-5.**

19 A. As described above, once Rate Base is calculated it is multiplied by the Pre-Tax
20 Rate of Return on line 9 to derive the Return and Related Income Taxes on line 10
21 of \$1,631,302. Next, Depreciation Expense associated with investment year 2021
22 Non-Growth Plant Additions is calculated on lines 18-20 based on a composite

1 depreciation rate of 3.73 percent, which is calculated in Line 39 Column 3 from
2 Schedule RevReq-3-16, Page 2. Then, State Property Taxes are calculated on Net
3 Utility Plant on line 12 using a property tax rate of 0.66%, which corresponds to
4 the statutory tax rate in RSA 83-F:2, currently \$6.60 per \$1,000 of investment.
5 Finally, Return and Related Income Taxes, Depreciation and Property Taxes are
6 added together to arrive at the Revenue Requirement on line 13.

7 **Q. What schedules support Schedule GSL-5, Page 1?**

8 A. Schedule GSL-5, Page 2 shows the calculation of the pre-tax rate of return.

9 **Q. What is the Revenue Requirement that you derived?**

10 A. Page 1 of Schedule GSL-5, Line 13, shows the Revenue Requirement of
11 \$2,355,084.

12 **Q. Is the Revenue Requirement at or below the Company's proposed Revenue
13 Requirement Cap?**

14 A. Yes, the Company's proposed investment year 2021 Revenue Requirement is
15 below the Company's proposed three-year Revenue Requirement cap of
16 \$10,500,000. As described in the Company's initial filing Exhibit CGDN-1, bates
17 96, the Company proposed a revenue requirement cap of \$10,500,000 which is
18 the sum of the revenue requirements for investment years 2021-2023 plus an
19 increase of approximately 10%. The additional approximate 10% is to
20 accommodate unknown conditions, such as municipal projects that may arise in
21 the future but are not known today.

22

1 **IV. CONCLUSION**

2 **Q. Has the Company provided rate design, monthly revenue per customer**
3 **targets for decoupling and bill impacts associated with the 2022 Step**
4 **Adjustment?**

5 A. No. The Company has not provided this information given the point in the base
6 rate case proceeding procedural schedule the Company is in. The Company
7 intends to supplement this filing once the permanent rate increase is finalized.

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

9 A. Yes, it does.