NORTHERN UTILITIES, INC.

DIRECT TESTIMONY

OF

CHRISTOPHER J. GOULDING,

KEVIN E. SPRAGUE

AND

CHRISTOPHER J. LEBLANC

REVISED EXHIBIT GSL-1

New Hampshire Public Utilities Commission

Docket No. DG 22-020

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I. INTRODUCTION

Q. Please state your name and business address.

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

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

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

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

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

Q. Please describe your business and educational background.

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

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

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

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

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

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

Q. Please describe your business and educational background.

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

Hampshire.

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

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

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

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

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

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

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

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

Construction Practices and Regulator Station Design.

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

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

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

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

II. SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to revise the Company's revenue requirement for its 2022 Step Adjustment based on 2021 capital spending consistent with the methodology agreed to in the proposed Settlement Agreement in DG 21-104 ("Settlement Agreement"). The next part of our testimony provides the Revenue Apportionment to the Company's rate classes, class Rate Design, and the resulting Monthly Decoupling Revenue Per Customer ("RPC") Targets for effect September 1, 2022. We also provide class Bill Impacts associated with the 2022 Step Adjustment.

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

A. The calculated 2022 Step Adjustment is $1,554,966 for 2021 non growth capital spending and is included in this testimony pursuant to the Settlement Agreement. The 2022 Step Adjustment was derived by calculating the revenue requirement associated with the annual Change in Non-Growth Net Plant for the period January 1, 2021 through December 31, 2021. Additional details for the 2022 Step Adjustment are provided later in this testimony.

III. 2022 STEP ADJUSTMENT

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

A. As shown on Table 1 (Bates 326) of the Company's pre-filed direct testimony of Kevin Sprague and Christopher LeBlanc in docket DG 21-104, the forecasted capital spending was $30,048,049. This was based upon a five year capital budget forecast that was developed in 2020. The actual 2021 plant additions and cost of removal closed to plant was $20,572,299.

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

A. Yes. Revised Schedule GSL-1 provides a summary, by project, of capital additions placed into service during calendar year 2021. This schedule provides each applicable project's authorization number, budget code, associated FERC accounts, installation costs, cost of removal, salvage, original and any subsequent authorizations, budget, and date the project(s) were placed into service. Importantly the summary also designates each project as Growth ("G") or Non-Growth ("NG") and a split showing the amount of capital additions for each category is provided. During calendar year 2021 the Company had $19,929,755 of additions with $16,597,063, or 83% classified as Non-Growth.

Q. Please explain the differences between the initially filed Schedule GSL-1 and Revised Schedule GSL-1.

A. The Company's initially filed Schedule GSL-1 inadvertently included retirements in the "Install" column instead of plant additions only. The revised schedule shows $19,929,755 of additions while the initially filed schedule showed $19,749,334, or a difference of $180,421. This amount is shown in Revised Schedule GSL-5, Column (a), Line 7. Lastly, Revised Schedule GSL-1 provides the total Cost of Removal and Plant in Service amounts classified between Growth and Non-Growth.

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

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

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

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

Q. How is Net Utility Plant derived?

A. Page 1 of Revised Schedule GSL-5 shows Beginning Utility Plant, Plant Additions, Retirements, and Ending Utility Plant on Lines 1-4. Plant Additions and Retirements are detailed on Page 2 by FERC account. Then Page 1, Lines 5-9 show Beginning Accumulated Depreciation, Depreciation, Retirements, Cost of Removal, Salvage, Transfers, and Ending Accumulated Depreciation. The difference between Ending Utility Plant and Ending Accumulated Depreciation results in Ending Net Utility Plant shown on Line 10.

Q. What is the change in Net Utility Plant in Service for calendar year 2021?

A. The Ending Net Utility Plant seen on Page 1, of Revised Schedule GSL-5, Line 10, is $222,031,220. The Beginning Net Utility Plant of $211,872,045, the difference of Line 1 and Line 5, matches the Ending Net Utility Plant from the Settlement Agreement. Line 11 shows the Change in Net Utility Plant of $10,159,175. The Company has further classified the Change in Net Utility Plant between Growth and Non-Growth, resulting in Changes in Net Utility Plant of $1,632,263 and $8,526,912, respectively.

Q. How is the Revenue Requirement derived?

A. The method used to calculate the Revenue Requirement is set forth in Section 2 and Section 5 of the Company's proposed Settlement Agreement. The Company has shown the Revenue Requirement for Total, Growth, and Non-Growth investments, but as described in the Settlement Agreement the Company shall only recover the distribution revenue requirement associated with the annual Change in Non-Growth Net Plant. The annual Change in Non-Growth Net Utility Plant of $8,526,912, as shown on Line 12 is multiplied by Line 13, pre-tax rate of return, to derive the Return and Taxes on Line 14. The Pre-Tax Rate of Return of 8.99% is calculated on Page 4, Column 6, Line 4. Next, Depreciation Expense is calculated based on the annualized depreciation of Non-Growth Plant Additions for 2021. The depreciation rate of 3.46% reflects the composite depreciation rate in docket DG 21-104. Then, Property Taxes are on the Change in Non-Growth Net Utility Plant (Line 12). A property tax rate of 0.66% was utilized to recover State utility property taxes, using the currently effective statutory tax rate in RSA 83-F:2, or $6.60 per $1,000 of investment. Next, per Section 5.5 of the Settlement Agreement, $157,739 of post-test-year software amortization is included for recovery. Finally, Return and Taxes, Depreciation Expense, Property Taxes and the Amortization of Post-Test-Year Projects are added together to arrive at the Revenue Requirement in Line 18.

Q. What is the Revenue Requirement that you derived?

A. Page 1 of Revised Schedule GSL-5, Line 18, shows the Revenue Requirement associated with the annual Change in Non-Growth Net Plant of $1,554,966.

IV. RATE DESIGN & DECOUPLING TARGETS

Q. Please describe how the Revenue Requirement increase was allocated to rate classes.

A. The Revenue Requirement increase was allocated to the rate classes consistent with Section 6.3 of the Settlement Agreement, which applies increases proportionately to all customer classes based on distribution revenue, using proposed August 1, 2022 distribution rates and test year billing determinants. A schedule showing the resulting allocation of the Revenue Requirement is provided in Schedule GSL-6.

Q. Please explain the 2022 Step Adjustment Rate Design.

A. Schedule GSL-7 shows the rate design from currently proposed rates for effect August 1, 2022 in Docket DG 21-104 to the rates proposed in this filing. As shown on pages 1 and 2, for the purpose of the rate calculations, the 2020 Test Year billing determinants are shown in Column (B). Columns (C) and (D) show the Company’s proposed rates and revenues from the Company’s Settlement Agreement permanent rate increase effective August 1, 2022. Next, Columns (E) through (H) provide calculations supporting the 2020 Test Year billing determinants for September through July (11-months) and the associated revenues from the Company's Settlement Agreement rate increase effect August 1, 2022. Next, Columns (I) and (J) provide the rates and associated revenues of the proposed 2022 Step Adjustment increase of $1,554,966 over an 11-month period of September 1, 2022 through July 31, 2023 per Section 5.2 of the Settlement Agreement. The increase is applied proportionally through volumetric charges for all rate classes. Finally, Columns (K) and (L) provide the rates and associated revenues of the proposed 2022 Step Adjustment increase of $1,554,966 over an 12-month period of August 1, 2023 through July 31, 2024 and thereafter per Section 5.2 of the Settlement Agreement. The increase is applied proportionally through volumetric charges for all rate classes.

Q. Has the Company provided proposed Monthly Revenue Per Customer Targets?

A. Yes. Schedule GSL-8 provides the Company's proposed Monthly Target RPCs effective September 1, 2022 reflecting the Revenue Requirement associated with the annual Change in Non-Growth Net Plant of $1,554,966 described above. The calculation reflects the methodology agreed upon and described in Section 5.2 of the Settlement Agreement, providing that the Company shall recover revenues associated with the full Rate Year (August 1, 2022 – July 31, 2023) over the eleven-month period beginning September 1, 2022 and ending July 31, 2023. Schedule GSL-8 also provides the Company's proposed Monthly Targets RPCs effective August 1, 2023, which adjusts distribution rates to reflect a 12-month recovery of the Step Adjustment.

V. BILL IMPACTS

Q. What are the corresponding bill comparisons for Northern's customers served under its various rate schedules?

A. A presentation of the billing impacts based on class average monthly usage by winter and summer seasons, and presented in deciles of usage, are provided for all rate schedules in Schedule GSL-9.

Q. Has the Company prepared additional bill comparisons for its Residential customers?

A. Yes. The annual bill impacts, as shown on a month-by-month basis, for the Residential rate schedules are provided in Schedule GSL-10.

VI. TARIFF CHANGES

Q. Has the Company prepared revised tariffs?

A. No. The Company intends to file tariffs in a compliance filing when an order is issued in DG 21-104 since these same tariff pages are pending approval for effect August 1, 2022. Once approved, those tariff pages will serve as the basis to prepare the tariff changes for effect September 1, 2022.

VII. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.