

**THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Northern Utilities, Inc.

Rate Case

Docket No. DG 21-104

**SETTLEMENT AGREEMENT ON
PERMANENT DISTRIBUTION RATES**

This Settlement Agreement on permanent distribution rates (“Settlement Agreement”) is entered into this 27th day of May, 2022, by and among Northern Utilities, Inc. (“Unitil” or “Company”), the New Hampshire Department of Energy (“DOE”), and the Office of the Consumer Advocate (“OCA”) (collectively, the “Settling Parties”), and is intended to resolve the issues in Unitil’s rate case, Docket No. DG 21-104. This Settlement Agreement contains the recommendations of the Settling Parties with respect to approval by the New Hampshire Public Utilities Commission (“Commission”) of an increase in Unitil’s permanent distribution rates and associated rate design.

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 On August 2, 2021, pursuant to RSA 378:3, RSA 378:28 and N.H. Code Admin. Rules Puc §§1600 et seq., Unitil filed testimony, supporting data, and revisions to its Tariff NHPUC No. 12 – Gas. The filing requested approval of: (1) a permanent annual increase to its distribution revenues of \$7,782,950; (2) a three-year Rate Plan with an initial step adjustment to be implemented on the effective date of permanent rates, and step adjustments thereafter on or about August 1, 2023 and 2024; (3) certain changes to its rate design and select tariff components, including a Revenue Decoupling Mechanism (“RDM”); (4) an arrearage management program; and (5) a temporary revenue increase of \$3,220,742 effective as of October 1, 2021, to be recovered on a uniform per therm increase in distribution rates of \$0.0846 to Unitil’s Residential rate schedules and an

increase of \$0.0279 to Unitil's Commercial and Industrial rate schedules until completion of the proceeding.

1.2 On September 17, 2021, Unitil filed a Stipulation and Settlement Agreement with the Commission, including agreement on a total annual temporary distribution revenue increase of \$2,599,083 collected through a uniform per therm surcharge of \$0.0683 to Unitil's Residential rate schedules and \$0.0225 to Unitil's Commercial and Industrial rate schedules. On September 30, 2021, the Commission issued Order No. 26,529, approving the Settlement on Temporary Rates, effective October 1, 2021, subject to reconciliation based on the outcome of the permanent rate case.

1.3 Following multiple sets of discovery and technical sessions, the DOE and OCA filed written testimony on April 1, 2022. Productive settlement discussions on Permanent Rates took place on May 5-6, 2022, which ultimately led to this Settlement Agreement.

SECTION 2. REVENUE AND RATE CHANGES

2.1 This Settlement Agreement provides for several changes to Unitil's distribution rates. The first such change shall occur on August 1, 2022, effective on a service-rendered basis. It provides for an increase in Unitil's distribution revenues of \$6,091,477 to recover the Company's distribution revenue deficiency agreed to by the Settling Parties. The schedules supporting this increase and Unitil's overall annual revenue requirement and incorporating the provisions of this Settlement Agreement are provided in Settlement Attachment 1 and Settlement Attachment 10. This reflects a net increase of \$3,492,394 from temporary rates in effect since October 1, 2021, which reflected an increase of \$2,599,083 as authorized by the Commission in Order No. 26,529 (September 30, 2021). The permanent rates increase of \$6,091,477 represents an increase of 9.1 percent of total revenues or 15.5 percent of distribution revenues. Of this increase, \$6,322,954 will be collected within permanent distribution rates and a decrease of \$231,477 will be reflected in the Cost of Gas Clause ("COGC") as a component of

indirect gas costs.¹

The initial rate change shall be followed by one additional Step Adjustment to rates on September 1, 2022, also effective on a service-rendered basis. In light of this Step Adjustment, the Company shall not file a distribution rate case with the Commission before January 1, 2024.

2.2 The September 1, 2022 Step Adjustment shall cover the additional revenue requirement resulting from changes in Net Plant in Service associated with non-growth investments for the period January 1, 2021, through December 31, 2021, as listed and described on Settlement Attachment 2. An illustrative revenue requirement for the September 1, 2022 step adjustment is provided in Settlement Attachment 2. The Settling Parties agree that the Company may 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.

SECTION 3. COST OF CAPITAL AND CAPITAL STRUCTURE

3.1 In determining the annual changes to distribution revenue and rates, the Settling Parties agree that application of an overall capital structure and cost of capital as set forth in the table below, including a 9.30 percent return on equity, is just and reasonable in the context of this Settlement Agreement taken as a whole:

	Component <u>Percentage</u>	Cost <u>Cost</u>	Weighted <u>Cost</u>	Tax <u>Factor</u>	Pre-Tax <u>Cost</u>
Common Equity	52.00%	9.30%	4.84%	1.3714	6.63%
Long-Term Debt	48.00%	4.93%	2.37%		2.37%
Total	<u>100.00%</u>		<u>7.20%</u>		<u>9.00%</u>

¹ Existing annual revenue collected in the COGC is \$1,056,561 of which \$476,106 is for production and storage capacity (“PS”) and \$580,455 is for overhead (“MISC”). With this Settlement, the annual revenue collected in the COGC is \$826,413 with \$214,538 for PS and \$611,875 for MISC.

SECTION 4. REVENUE DECOUPLING MECHANISM

4.1 The Settling Parties agree that Unitil shall implement a Revenue Decoupling Mechanism (“RDM”) substantially as proposed in the initial prefiled testimony of Unitil witness Timothy Lyons, subject to the adjustments specified in this Settlement Agreement. Specifically, the Settling Parties agree and recommend that the Commission approve a RDM using a Revenue Per Customer (“RPC”) model that shall reconcile monthly actual and authorized RPC by rate class. Settlement Attachment 3 provides the Company’s monthly target RPCs effective August 1, 2022 and also provides preliminary monthly target RPCs effective September 1, 2022 to reflect the 2022 Step Adjustment.

4.2 The Company shall implement the RDM as follows:

4.2.1 First, the Company shall record monthly variances between actual and authorized RPC for each rate class. Rather than record and reconcile the variances on an annual basis, the variances shall be recorded and reconciled separately, for the Peak (November through April) and Off-Peak (May through October) periods (the “Measurement Periods”). The monthly variances in the applicable Measurement Period shall then be totaled by class. The total variances by customer class group and carrying costs shall form the basis for the revenue decoupling adjustment (“RDA”) by group and the calculation of revenue decoupling adjustment factors (“RDAF”) (surcharges or credits). A Customer Class Group comprises the rate schedules combined for purposes of calculating the RDA amounts. The four Customer Class Groups shall be: (1) Residential Heating (R-5 and R-10); (2) Residential Non-Heating (R-6); (3) C&I High Load Factor (G-50, G-51, G-52); and (4) C&I Low Load Factor (G-40, G-41, G-42).

4.2.2 Second, the Company shall annually file with the Commission the applicable RDAF 45 days in advance of November 1. The filing will provide the proposed RDAF for the Peak period, for effect November 1, and subsequent Off-Peak period, for effect May 1. The RDA for the Peak period shall reflect actual data for the

entire six month period while the RDA for the Off-Peak period shall reflect actual data for the first three months of the period and estimated data for the remaining three months. The filing shall include the RDA by group, including prior period reconciliation and calculation of the RDAF. Pursuant to this Settlement Agreement, rather than reconcile the RDA on an allocated basis as initially proposed by Unitil, the Company shall reconcile the RDA using the four customer class groups defined in subpart 4.2.1 above. The RDAF shall be calculated as a dollar per therm charge or credit based on the RDA for each group divided by the projected therm sales for each group over the prospective six-month period November through April and May through October (“the RDM Adjustment Period”). The RDAF shall be charged or credited to customer bills during the RDM Adjustment Period.

4.2.3 Unitil shall implement an RDA cap of 4.25 percent of approved distribution revenues as established by this Settlement for each group over the relevant Measurement Period(s) for over- and under-recoveries. To the extent that the RDA for a group, including prior period reconciliation exceeds 4.25 percent of distribution revenue, the amount over or under 4.25 percent shall be deferred, with carrying costs accrued monthly at the Prime Rate with said Prime Rate to be fixed on a quarterly basis and to be established as reported in *The Wall Street Journal* on the first business day of the month preceding the calendar quarter. If more than one interest rate is reported, the average of the reported rates shall be used. In the Company’s next distribution rate case, parties to that proceeding may propose specific treatment of any carried balances remaining at that time.

4.2.4 The Settling Parties agree that the RDM shall be implemented at the proposed effective date of new permanent rates on August 1, 2022. At that time, Unitil shall cease accruing Lost Base Revenue (“LBR”) due to energy efficiency and shall transition to decoupling as described in the August 2, 2021 Testimony of Christopher Goulding and Daniel Nawazelski at Bates pages 000111-113.

4.2.5 With respect to the treatment of special contract revenue, the Company shall not implement its proposal to reconcile test year special contract revenue with actual revenue. The Settling Parties agree that if any special contract customers become tariff customers, they will be excluded from the RDM.

SECTION 5. STEP ADJUSTMENT

5.1 For purposes of calculating the Step Adjustment, the following definitions shall apply:

5.1.1 Accumulated Depreciation is the cumulative net credit balance arising from the provision for depreciation expense, cost of removal, salvage, and retirements. Non-growth depreciation expense and retirements shall be apportioned to non-growth investments based upon the proportion of non-growth related Plant Additions relative to total Plant Additions in the Investment Year.

5.1.2 Change in Net Plant is the change in Net Utility Plant from one Investment Year to the next, which accounts for Plant Additions as well as Accumulated Depreciation.

5.1.3 Change in Growth Net Plant is the actual amount of growth-related Plant Additions in the Investment Year as set forth in Settlement Attachment 2 and Accumulated Depreciation. The amount of Depreciation Expense used in calculating Accumulated Depreciation is apportioned to growth-related Plant Additions based upon the proportion of growth-related Plant Additions relative to total Plant Additions in the Investment Year.

5.1.4 Change in Non-Growth Net Plant is the difference between the total Change in Net Plant less the Change in Growth Net Plant for the Investment Year.

5.1.5 Depreciation Expense is the return of the Company's investment calculated by multiplying the Non-Growth Additions by the average depreciation rate of 3.46 percent.

5.1.6 Externally Imposed Accounting Rule Change shall be deemed to have occurred if the Financial Accounting Standards Board or the Securities and Exchange

Commission adopts a rule that requires utilities to use a new accounting rule that is not being used by the Company as of January 1, 2022

5.1.7 Federally Initiated Cost Change shall mean any externally imposed changes in the federal tax rates, laws, regulations, or precedents governing income, revenue, or sales taxes or any changes in federally imposed fees, which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase the Company's distribution costs, revenue, or revenue requirement

5.1.8 Investment Year is the annual period beginning January 1 and ending December 31 of the calendar year 2021 for which capital investments are made by the Company and placed in service.

5.1.9 Net Utility Plant is the "per books" utility Plant Additions for plant in service after Accumulated Depreciation is deducted.

5.1.10 Plant Additions are the capitalized costs of plant placed in service, after retirements, as recorded on the Company's books during the Investment Year.

5.1.11 Pre-Tax Rate of Return is 8.99 percent which is established based on the cost of capital of 7.20 percent and a tax gross up factor of 1.3699 on common equity, which is based on current tax rates.

5.1.12 Property Taxes are established at an initial rate of 0.66 percent, representing State utility property taxes paid as a percent of change in Non-Growth change in net plant.

5.1.13 Rate Year is the period August 1, 2022 through July 31, 2023.

5.1.14 Recovery Period is the period September 1, 2022 through July 31, 2023.

5.1.15 Regulatory Cost Reassignment shall mean the reassignment of costs and/or revenues now included in the production, transportation, or distribution functions to or away from the distribution function by the Commission, FERC, or any other official agency having authority over such matters

5.1.16 State Initiated Cost Change shall mean any externally imposed changes in state or local law or regulatory mandates or changes in other precedents governing income, revenue, sales, franchise, or property or any new or amended regional, state or locally imposed fees (but excluding the effects of routine annual changes in

municipal, county and state property tax rates and revaluations), which impose new obligations, duties or undertakings, or remove existing obligations, duties or undertakings, and which individually decrease or increase the Company's distribution costs, revenue, or revenue requirement

5.2 The step adjustment associated with the Investment Year shall be effective September 1, 2022, based on the Step Adjustment filing that is currently pending in DG 22-020. The Settling Parties agree 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. Beginning August 1, 2023, distribution rates rate shall be adjusted going forward to reflect a 12-month recovery of the Step Adjustment.

5.3 The Step Adjustment shall include recovery of the distribution revenue requirement associated with the annual Change in Non-Growth Net Plant. The Step Adjustment revenue requirement shall be the sum of the following for each Investment Year:

- Pre-Tax Rate of Return applied to the annual Change in Non-Growth Net Plant;
- Depreciation Expense on the annual Non-Growth Plant Additions; and
- State Property Taxes on the annual Change in Non-Growth Net Plant.

5.4 The amount of the Step Adjustments shall be subject to review by the DOE and the OCA, and subject to approval by the Commission, following the filing required by Paragraph 5.2.

5.5 The Step Adjustment effective August 1, 2022 shall include recovery of \$157,739 of post-test-year software amortization.

5.6 Exogenous Events. As noted above, in light of this Step Adjustment, the Company shall not file a distribution rate case with the Commission before January 1, 2024 (the “Stay-Out Period”). However, during the term of the Stay-Out Period, the Company will be allowed to adjust distribution rates upward or downward resulting from a singular (not collective) exogenous event, as defined herein. For any of the events defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change, during the term of the Stay-Out Period, the Company will be allowed to adjust distribution rates upward or downward (to the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission) if the total distribution revenue impact (positive or negative) of such event exceeds \$200,000.

SECTION 6. TARIFF CHANGES AND RATE DESIGN

6.1 Rate Allocation: The revenue deficiency shall be allocated to the Company’s rates classes consistent with the testimony of Ronald Amen and John Taylor in the Company’s initial filing at Bates Pages 000985-986: for the Residential Heat class (R-5/R-10), the revenue adjustment is 1.25 times the system average; for the Residential Non-Heat (R-6/R-11) class the revenue adjustment is twice the system average increase; for the G-40/T-40, G-41/T-41, and G-42/T42 classes, the adjustment is 75 percent of the system average increase; for the remaining customer classes (G-50/T50, G-51/T-51, G-52/T-52), the revenue adjustments is 50 percent of the system average increase. A schedule showing the allocation of the revenue deficiency and resulting permanent rates is provided in Settlement Attachments 4 and 5.

6.2 Customer Charges: The Settling Parties agree that the customer charges for all residential Rate Schedules (R-5, R-10, R-6) shall remain at the current levels until the Company’s next base distribution rate case. The Settling Parties agree that the customer charges for all non-residential classes shall be increased consistent with Schedule RAJT-11 to the Testimony of Ronald Amen and John Taylor.

6.3 For the Step Adjustment described in Section 5 above, the revenue requirement increase shall be applied proportionately to all customer classes based on distribution revenue, using current distribution rates and test year billing determinants established in this proceeding. The increase shall be collected proportionately through the volumetric charges for all rate classes.

6.4 Cost of Service: If Unitil presents a cost of service study utilizing the “Minimum System Method” in its next base distribution rate case, the Company shall also present, as an alternative, an allocation of distribution mains on a demand-only basis.

6.5 The resulting class revenue requirement targets and final distribution rates for effect August 1, 2022, are presented in Settlement Attachments 3-5.

6.6 Bill impacts by winter and summer seasons, and presented in deciles of usage, are summarized in Settlement Attachment 6. Annual bill impacts are provided on a month-by-month basis, for the Residential rate schedules in Settlement Attachment 7.

6.7 The Settling Parties agree to the tariff changes provided in Settlement Attachment 8.

SECTION 7. ARREARAGE MANAGEMENT PROGRAM

7.1 Arrearage Management Program. The Company's initial testimony proposed establishing an Arrearage Management Program (“AMP”) as described by Company witness Carole A. Beaulieu in a manner similar to that recently implemented by Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”) in Docket No. DE 19-057. While the Settling Parties remain supportive of the AMP Unitil proposed in this rate filing, the Settling Parties agree that the AMP need not be implemented in light of the Commission’s recent Order No. 26,623, in which the Commission declined to approve a proposed AMP for Unitil Energy Systems, Inc.

SECTION 8. RECOUPMENT AND RATE CASE EXPENSE

8.1 Recoupment: For purposes of this Settlement Agreement, “Recoupment” is the difference between distribution revenue at temporary rates and permanent rates over the 10-month period October 1, 2021 through July 31, 2022. The Company shall recover the Recoupment amount over one year within its Local Delivery Adjustment Charge (“LDAC”) through the Reconciliation of Permanent Changes in Distribution Rates Charge, a separate uniform rate per therm for the Residential and C&I classes, respectively, in the Company’s next scheduled LDAC rate change effective November 1, 2022.

The decrease in revenue to be collected in the COGC resulting from this Settlement Agreement, \$231,477, as discussed in Section 2.1, above, will be annualized beginning October 1, 2021 and passed back within the Annual Reconciliation of the COGC as a cost decrease.

8.2 Rate Case Expenses: The Settling Parties agree that the Company may recover the just and reasonable rate case expenses incurred by the Company in the preparation and presentation of its filing, and the regulatory proceeding expenses incurred by the Commission, DOE, and the OCA and charged to the Company in this docket. These expenses shall be recovered over one year within the LDAC through the Rate Case Expense Charge (“RCE”), a uniform rate per therm, in the Company’s next scheduled LDAC rate change effective November 1, 2022. Unitil shall file with the Commission for its review and approval the final actual amount of rate case expenses within 30 days of a Commission Order approving this Settlement Agreement.

SECTION 9. MISCELLANEOUS

9.1 The Company’s Working Capital Allowance related to supply requirements and recovered through the COGC will be calculated by multiplying supply costs by the percentage derived from dividing the supply-related net lag of 9.30 days by 366 days and multiplied by the Working Capital Carrying Charge Rate.

9.2 COVID-Related Waived Late Payment Fees: Pursuant to Order No. 26,515 (September 7, 2021) in Docket No. IR 20-089, the Commission concluded that utilities would be permitted to use “accounting mechanisms” to defer costs pertaining to the COVID-19 public health emergency for later recovery. Consistent with that authorization, the Settling Parties agree that Unitil shall be permitted to recover \$68,061 in COVID-19 related costs relating to expenses from calendar year 2020 by including those costs in its next LDAC through the Regulatory Assessment Adjustment Mechanism (“RAAM”), a uniform rate per therm, in the Company’s next scheduled RAAM rate change effective November 1, 2022. The Settling Parties further agree that Unitil shall not recover any COVID-19 related waived late payment fees for the period January through March 31, 2021.

9.3 Bad Debt: In its initial testimony, the Company noted that due to the COVID-19 pandemic, the 2020 test year was not representative of an accurate level of bad debt. Accordingly, the Company proposed to use 2019 as a representative year for establishing an appropriate level of bad debt expense. The Settling Parties agree that the Company shall use the 2019 calendar year write off rate of 0.71 percent for calculating the level of bad debt expense included in the Company’s revenue requirement.

9.4 Property Taxes: In Order No. 26,581 (February 15, 2022) in Docket No. DG 21-123, the Commission approved the Company’s proposed method for reconciliation of local property taxes consistent with the authority in RSA 72:8-e. Consistent with that approval, and as described in the Company’s testimony, the Settling Parties agree that the Company may include \$4,152,854 in base rates attributable to local property taxes. Further, the Settling Parties agree that any reconciliation of the authorized property tax amounts shall occur annually through the Property Tax Adjustment Mechanism (“PTAM”), consistent with Order No. 26,581.

9.5 Regulatory Assessment: The Settling Parties agree that the Company’s revenue requirement reflects a total regulatory assessment of \$552,312 and that reconciliations of any deviation from that amount, shall continue to be recovered through the RAAM.

9.6 Excess Accumulated Deferred Income Taxes: The Company's revenue requirement includes the flowback of \$308,218 of annual Excess Accumulated Deferred Income Tax until the Company's next base distribution rate case filing, at which time the flowback amount shall be reviewed.

9.7 Excess Accumulated Deferred Income Tax from 2018-2020 in the amount of \$515,202 (see Bates 00635 of the Company's Initial Filing), shall be applied to offset the Company's property tax deferral balance to be recovered through the PTAM.

9.8 Depreciation: The Settling Parties agree that the Company shall use updated whole-life rates for book depreciation purposes as reflected in Settlement Attachment 9. The Parties agree that the Company shall amortize the depreciation reserve variance over ten years beginning August 1, 2022. The annual amount to be recovered in rates is \$1,574,083, as reflected in Settlement Attachment 9.

SECTION 10. GENERAL PROVISIONS

10.1 This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties does not agree with the changes, conditions or findings, that Settling Party may request that the Settlement Agreement be withdrawn or, alternatively, request a hearing on any discrete finding or conclusion that departs from or goes beyond the scope of the Settlement Agreement while leaving the approved portions of the Settlement Agreement in place.

10.2 Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission, which represents a compromise and liquidation of all issues in this proceeding.

10.3 The Settling Parties agree that the Commission's acceptance of this Settlement

Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding other than those specified herein. Acceptance of this Settlement Agreement by the Commission shall not be deemed to constrain the Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion.

10.4 This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to Unitil's permanent rate request in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings. The revenue requirement amounts associated with each of the rate adjustments detailed herein are liquidated amounts that reflect a resolution of all the issues in this proceeding.

10.5 The Settling Parties agree that all pre-filed testimony and supporting documentation should be admitted as exhibits for the purpose of considering this Settlement Agreement and be given whatever weight the Commission deems appropriate. Consent by the Settling Parties to admit all pre-filed testimony without challenge does not constitute agreement by any of the Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. The resolution of any specific issue in this Settlement Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings.

10.6 The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

10.7 This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

10.8 This Settlement Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

SECTION 11. CONCLUSION

11.1 The Parties affirm that Commission approval of the proposed Settlement Agreement is in the public interest and will result in just and reasonable rates and should be approved.

[SIGNATURE PAGE TO FOLLOW]

NEW HAMPSHIRE DEPARTMENT OF ENERGY

By: /s/ Paul B. Dexter
Paul B. Dexter, Esq.
Staff Attorney


Dated: May 27, 2022

NEW HAMPSHIRE OFFICE OF THE CONSUMER ADVOCATE

By: /s/ Donald M. Kreis
Donald M. Kreis, Esq.
Consumer Advocate

Dated: May 27, 2022

NORTHERN UTILITIES, INC.

By: 
Patrick Taylor, Esq.
Chief Regulatory Counsel

Dated: May 27, 2022

Northern Utilities, Inc. - New Hampshire
2022 Step Adjustment
Illustrative Revenue Requirement

Northern Utilities, Inc.
Docket No. DG 21-104
Settlement Attachment 2
Page 1 of 5

Line No.	Description	9/1/2022			Growth Source	Non-Growth Source
		Total Investment Year 2021	Growth Investment Year 2021	Non-Growth Investment Year 2021		
		(a)	(b)	(c)	(d)	(e)
Rate Base:						
1	Beginning Utility Plant ⁽¹⁾	\$ 301,245,498				
2	Plant Additions	19,929,755	3,332,692	16,597,063	DG 22-020 Rev. Sch. GSL-1, Line 119	DG 22-020 Rev. Sch. GSL-1, Line 120
3	Retirements	(180,421)	(30,170)	(150,251)	Total x DG 22-020 Rev Sch GSL-1, Line 124	Total x DG 22-020 Rev Sch GSL-1, Line 125
4	Ending Utility Plant	320,994,831	3,302,522	16,446,812		
5	Beginning Accumulated Depreciation ⁽²⁾	89,373,452				
6	Depreciation Expense	10,413,124	1,741,303	8,671,822	Total x DG 22-020 Rev Sch GSL-1, Line 124	Total x DG 22-020 Rev Sch GSL-1, Line 125
7	Retirements	(180,421)	(30,170)	(150,251)	Total x DG 22-020 Rev Sch GSL-1, Line 124	Total x DG 22-020 Rev Sch GSL-1, Line 125
8	Cost of Removal, Salvage and Transfers	(642,545)	(40,873)	(601,671)	DG 22-020 Rev. Sch. GSL-1, Line 119	DG 22-020 Rev. Sch. GSL-1, Line 120
9	Ending Accumulated Depreciation	98,963,611	1,670,259	7,919,900		
10	Ending Net Utility Plant	222,031,220	1,632,263	8,526,912		
11	Change in Net Plant	10,159,175	1,632,263	8,526,912		
12	Change in Net Plant	10,159,175	1,632,263	8,526,912		
13	Pre-Tax Rate of Return	8.99%	8.99%	8.99%		
14	Return and Taxes	913,454	146,764	766,691		
15	Depreciation Expense at ⁽³⁾	3.46% 689,570	115,311	574,258		
16	Property Taxes on Change in Net Plant at ⁽⁴⁾	0.66% 67,051	10,773	56,278		
17	Amortization on Post-Test-Year Projects	157,739	-	157,739		
18	Revenue Requirement Increase	\$ 1,827,814	\$ 272,848	\$ 1,554,966		

Notes:

- (1) Beginning utility plant corresponds to Schedule RevReq-5, Column 7, Line 1
- (2) Beginning accumulated depreciation corresponds to Schedule RevReq-5, Column 7, Line 2
- (3) Book Depreciation Rate Based on the Average Depreciation Rate in Docket No. DG 21-104
- (4) 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 Company's Property Tax Adjustment Mechanism ("PTAM")

2021 Gross Plant Detail

Description	Beginning Balance	Additions	Retirements	Ending Balance
303-02 Intangible Software-10 Yea-G	2,064,604	-	-	2,064,604
303-30 Intangible Plant, Misc So-G	5,176,113	105,634	-	5,281,748
303-03 Intangible Software-CIS	5,585,630	-	-	5,585,630
304-20 Land Rights-G	6,816	-	-	6,816
374-40 Land Rights, Other Distr -G	89,111	-	-	89,111
374-50 Rights of Way-G	17,911	-	-	17,911
375-20 Structures City Gate Mea -G	43,350	-	-	43,350
375-70 Structures Other Distribu-G	3,217,521	4,991	-	3,222,512
376-20 Mains, Coated/Wrapped-G	29,746,227	4,333,003	(29,269)	34,049,960
376-30 Mains, Bare Steel-G	190,837	320,428	-	511,265
376-40 Mains, Plastic-G	120,342,184	9,435,649	(173,121)	129,604,713
376-50 Mains, Joint Seals-G	542,145	-	-	542,145
376-60 Mains, Cathodic Protectio-G	1,082,739	1,636,977	(540)	2,719,176
376-80 Mains, Cast Iron-G	28,455	-	-	28,455
378-20 Measuring & Regulating St-G	7,288,982	(12,164)	179,725	7,456,543
379-00 Measuring & Regulating Ta-G	39,266	-	-	39,266
380-00 Services-G	82,837,047	3,675,958	(78,013)	86,434,992
381-00 Meters-G	4,624,610	81,333	-	4,705,943
382-00 Meter Installations-G	26,001,685	51,900	-	26,053,585
383-00 House Regulators-G	733,550	71,167	-	804,717
386-10 Conversion Burners-G	998,854	550	-	999,404
386-20 Water Heaters-G	980,041	-	(67,976)	912,066
389-10 Land -G	232,947	-	-	232,947
391-10 Office Furniture & Equip-G	508,135	17,062	-	525,197
393-00 Stores Equipment-G	31,520	-	-	31,520
394-10 Tools, Shop & Garage-G	1,430,421	235,384	-	1,665,806
396-00 Power Operated Equipment-G	75,266	-	-	75,266
397-00 Communication Equipment-G	1,873,480	69	(11,227)	1,862,322
397-25 Metscan Communication Equ-G	112,656	-	-	112,656
397-35 ERT Automatic Reading Dev-G	3,470,146	(28,187)	-	3,441,960
Grand Total	299,372,252	19,929,755	(180,421)	319,121,586

2021 Accumulated Depreciation Detail

Description	Beginning Balance	Provision	Retirements	Cost of Removal	Salvage	Ending Balance
303-02 Intangible Software-10 Year	643,542	206,493	-	-	-	850,035
303-30 Intangible Plant, Misc Softw	3,669,843	453,408	-	-	-	4,123,250
303-03 Intangible Software-CIS	584,076	294,971	-	-	-	879,047
305-00 Structures	(374)	-	-	-	-	(374)
320-00 Other Equipment	(4,438)	-	-	-	-	(4,438)
321-00 Propane Vaporizer	(27,544)	-	-	-	-	(27,544)
375-20 Structures City Gate Mea & R	(121,994)	620	-	-	-	(121,374)
375-70 Structures Other Distributio	718,156	46,016	-	-	-	764,173
376-20 Mains, Coated/Wrapped	4,224,164	836,333	(29,269)	(158,530)	-	4,872,699
376-30 Mains, Bare Steel	(2,132,784)	-	-	-	-	(2,132,784)
376-40 Mains, Plastic	36,382,883	3,510,152	(173,121)	(264,181)	-	39,455,733
376-50 Mains, Joint Seals	542,145	-	-	-	-	542,145
376-60 Mains, Cathodic Protection	682,660	77,070	(540)	(2,087)	-	757,102
376-80 Mains, Cast Iron	(1,187,409)	-	-	-	-	(1,187,409)
378-20 Measuring & Regulating Stati	666,376	258,232	179,725	(6,737)	-	1,097,597
379-00 Measuring & Regulating Ta-G	6,432	1,374	-	-	-	7,806
380-00 Services	28,479,497	3,085,372	(78,013)	(164,912)	-	31,321,944
381-00 Meters	1,226,613	156,031	-	-	-	1,382,643
382-00 Meter Installations	6,859,297	867,330	-	(39,427)	-	7,687,201
383-00 House Regulators	212,402	25,184	-	-	-	237,586
386-10 Conversion Burners	995,117	4,287	-	-	-	999,404
386-20 Water Heaters	(35,552)	69,683	(67,976)	(5,991)	-	(39,836)
391-10 Office Furniture & Equip	298,078	44,372	-	-	-	342,450
393-00 Stores Equipment	31,511	-	-	-	-	31,511
394-10 Tools, Shop & Garage	785,741	76,592	-	-	-	862,333
396-00 Power Operated Equipment	75,266	-	-	-	-	75,266
397-00 Communication Equipment	1,570,602	169,540	(11,227)	(681)	-	1,728,234
397-25 Metscan Communication Equip	112,656	-	-	-	-	112,656
397-35 ERT Automatic Reading Device	2,766,299	230,065	-	-	-	2,996,364
Grand Total	88,023,262	10,413,124	(180,421)	(642,545)	-	97,613,421

Northern Utilities, Inc. - New Hampshire
Pre Tax Rate of Return
5 Quarter Average Ended December 31, 2020 Pro Forma

Northern Utilities, Inc.
Docket No. DG 21-104
Settlement Attachment 2
Page 4 of 5

	(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Description	Weight	Cost of Capital	Weighted Cost of Capital	Tax Factor	Pre-Tax Cost
1	Common Stock Equity	52.00%	9.30%	4.84%	1.3699	6.63%
2	Long Term Debt	48.00%	4.93%	2.37%		2.37%
3	Short Term Debt	0.00%	1.69%	0.00%		0.00%
4	Total	100.00%		7.20%		8.99%

Northern Utilities, Inc. - New Hampshire Division
Post-Test-Year Projects Amortization Expense Recovered through Step Adjustment

Line No.	Description	Total Project Cost	Annual Amortization Expense
1	Northern Utilities Post-Test-Year Projects Amortization Expense Adjustment ⁽¹⁾		
2	FCS Upgrade	\$ 25,628	\$ 5,882
3	2020 IT Infrastructure	338,113	64,472
4	Customer Facing Enhancements	163,139	31,197
5	2020 Interface Enhancements	32,566	6,222
6	General Software Enhancements	1,952	383
7	2020 Reporting Blanket	25,045	4,707
8	Powerplan Upgrade	81,136	15,546
9	Total NuNH Amortization Expense Adjustment		<u>\$ 128,409</u>
10	Unitil Service Corp. ("USC") Post-Test-Year Projects Amortization Expense Adjustment ⁽¹⁾		
11	SOX Modernization	\$ 75,517	\$ 15,103
12	USC Time & Billing Upgrade/Replacement	625,663	125,133
13	2020 Flexi Upgrade	25,531	5,106
14	Total	<u>726,711</u>	<u>145,342</u>
15	NuNH Apportionment		20.18%
16	Total Billed to NuNH		<u>\$ 29,330</u>
17	Total Post-Test-Year Project Amortization Expense Adjustment		<u>\$ 157,739</u>

Notes:

(1) Refer to DOE Witness Donna H. Mullinax Testimony, Page 41 of 47