

**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION**  
**DG 14- \_\_\_\_\_**

**NORTHERN UTILITIES, INC.**  
**Petition For Authority To Operate In the Town of Brentwood**  
**and to Cross State Waters and Lands**

**PREFILED DIRECT TESTIMONY OF**  
**CINDY L. CARROLL**

**June 6, 2014**

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

2    A.     My name is Cindy L. Carroll and my business address is 325 West Road,  
3    Portsmouth, NH 03801.

4    **Q.     By whom are you employed and what position do you hold?**

5    A. I am Director of Customer Energy Solutions at Northern Utilities, Inc. d/b/a Unitil  
6    ("Northern" or "Company"). My primary responsibilities are the development,  
7    implementation and advancement of the Company's business expansion and economic  
8    development programs, energy efficiency programs, and critical customer management.

9    **Q.     Please describe your educational background and business experience.**

10   A.     I received an MBA from Southern New Hampshire University in 1998 and my  
11   Bachelor of Arts degree in Communications from the University of New Hampshire in  
12   1985. I possess more than twenty years experience in the natural gas industry, working  
13   on matters directly related to the expansion of the natural gas distribution system.

14   **Q.     Have you previously testified before this Commission?**

15   A.     Yes. I testified before this Commission on behalf of Unitil Energy Systems, Inc.  
16   in DE 09-137 regarding the Company's investment in and rate recovery for Distributed  
17   Energy Resources. I have also testified before the Massachusetts and Maine  
18   Commissions.

19   **Q.     Please explain the purpose of your testimony.**

20   A.     The purpose of my testimony is to explain and provide information in support of  
21   Northern's Petition that is the subject of this docket.

1    **Q.     Please describe the relief Northern is seeking in its Petition?**

2    A.     Northern seeks authority to operate as a public utility in the Town of Brentwood.  
3    In addition, to the extent that the Commission determines it is necessary, Northern also  
4    seeks a license to construct and maintain a new natural gas distribution main under, over  
5    and across public waters and lands owned by the State of New Hampshire.

6    **Q.     Why is Northern seeking to expand its franchise area to include the Town of**  
7    **Brentwood?**

8    A.     Northern has the opportunity to serve two new large industrial customers, Owens  
9    Corning and Pike Industries, in the Town of Brentwood. In order to do so, Northern must  
10   extend its existing natural gas distribution main through the Town of Exeter, where  
11   Northern currently is authorized to provide service, into the Town of Brentwood.

12   **Q.     Where will the new natural gas distribution main be constructed?**

13   A.     The location of Northern's proposed natural gas distribution main extension is  
14   shown on a map marked Exhibit A submitted with Northern's Petition. The proposed  
15   main extension would be approximately 4.2 miles long and would pass by many existing  
16   residences and businesses, thereby creating the potential for Northern to serve additional  
17   customers beyond the two customers mentioned above.

18   **Q.     Please describe Northern's analysis for determining the economic feasibility**  
19   **of extending its distribution facilities to serve the two new Brentwood customers.**

20   A.     In accordance with its approved tariff, NHPUC No. 10-Gas, Section III. LINE  
21   EXTENSIONS, Paragraph 1, the Company has evaluated the economic feasibility of

1 extending its distribution system for these new customers based on a discounted cash  
2 flow ("DCF"), i.e., a Net Present Value ("NPV") analysis. This method considers an  
3 estimate of the cost of capital expenditures associated with the proposed extension and an  
4 estimate of the net revenue (revenues exclusive of related gas costs recoveries) to be  
5 derived from the expected new customers, along with other cost factors as outlined in the  
6 tariff. These amounts are reflected on an annual basis and result in the annual cash flow  
7 (after-tax) associated with the proposed new main and service line extensions. These  
8 annual cash flows were discounted over ten (10) years from the year of project  
9 completion to a present value at a rate representative of the Company's after-tax weighted  
10 cost of capital. The result of the analysis was a negative NPV. Therefore, pursuant to the  
11 terms of the above-referenced tariff, a Contribution in Aid of Construction ("CIAC") is  
12 required to be paid by the initial customers. Please refer to Attachment CLC-1 for  
13 information regarding the NPV analysis and CIAC amount.

14 **Q. Are there any potential customers in Exeter and/or Brentwood other than**  
15 **the two customers identified above that the Company has determined are cost-**  
16 **effective to serve at this time?**

17 A. At this time, the Company does not have definite plans to provide service to any  
18 specific, new customers in Exeter and/or Brentwood, other than the two large industrial  
19 customers in Brentwood. However, the Company believes it is likely that it will connect  
20 another large customer to the expanded gas main within the next few years and has  
21 factored that assumption into its NPV analysis. In addition, Northern believes that the

1 potential to serve additional customers along the new distribution main does exist, as  
2 some entities have made inquiries about expanded gas service thereby demonstrating that  
3 this line extension will fulfill a demand for natural gas service in the area. The new main  
4 passes by several existing residences and businesses, and therefore it is likely that new  
5 customers along this route could be economically added to Northern's system. If  
6 Northern's main extension proposal is approved by the Commission, Northern will  
7 aggressively pursue potential customers in the vicinity of the new gas main. In addition,  
8 if the new main is constructed as planned, it presents Northern with the opportunity for  
9 future expansion to large customers such as Exeter High School (a distance of 3,000 feet  
10 from the extended main) and the Rockingham County Complex in Brentwood (a distance  
11 of 2.3 miles from the extended main).

12 **Q. When does the Company intend to begin construction on the proposed main**  
13 **extension?**

14 A. Northern's tariff, NHPUC No. 10, Section III, Paragraph 4 indicates that new  
15 main extensions are not ordinarily installed during winter conditions unless the customer  
16 defrays the extra expenses. To avoid such extra expenses, and given that New  
17 Hampshire's short construction season has already started, the Company wishes to  
18 commence construction as soon as possible. Accordingly, Northern is seeking  
19 expeditious approval of its Petition, *i.e.*, via an Order *Nisi* and without a hearing.

20 **Q. Will the new customers served by the extended natural gas main in Exeter**  
21 **and Brentwood be served under the Company's existing tariff?**

1 A. , Yes. The two new Brentwood customers will likely be transportation customers  
2 and will take service under the rates, terms and conditions of the Company's current  
3 tariff. If additional sales and transportation customers are added after the gas main is  
4 constructed, they will also be served under Northern's tariffs. Whether these customers  
5 become transportation or sales customers, the Company is confident that the proposed  
6 main expansion will not adversely affect existing gas supply planning and procurement.

7 **Q. Please describe the Company's financial, technical and managerial**  
8 **experience to provide natural gas service in the Town of Brentwood.**

9 A. Northern has been providing natural gas service under the Commission's  
10 regulatory authority for several years. Through its New Hampshire Division, the  
11 Company serves over 28,000 natural gas customers in 23 communities in the  
12 southeastern and seacoast regions of New Hampshire. The Company's Maine Division  
13 serves over 29,000 natural gas customers in 22 communities in the State of Maine. The  
14 Company's combined operations in New Hampshire and Maine provide service through  
15 1,049 miles of natural gas mains. Northern employs highly qualified technical,  
16 managerial and administrative personnel to operate its natural gas system and provide  
17 administrative functions for the Company.

18 **Q. Has Northern informed the Towns of Brentwood and Exeter of its proposed**  
19 **main expansion plans?**

20 A. Yes. Northern has informed both towns of its proposed main extension plans and  
21 understands that they support the main extension. The Boards of Selectmen for the

1 Towns of Brentwood and Exeter have written letters indicating their support for the  
2 project, and those letters have been submitted with Northern's Petition as Exhibits B and  
3 C.

4 **Q. Do you believe that the granting of Northern's request to expand its**  
5 **franchise area will be for the public good?**

6 A. Yes. Extending Northern's natural gas distribution facilities from Exeter into  
7 Brentwood will be for the public good because it will enable two new large customers in  
8 Brentwood to lower their energy costs by switching their fuel source to natural gas. This  
9 will enable both customers to become more competitive and therefore has the potential  
10 for economic development in the area. In addition, the new main extension will provide  
11 businesses and residences in its vicinity with another fuel supply option, and the potential  
12 to lower their energy costs. Existing customers will also benefit by growth in Northern's  
13 customer base. As Northern's customer base expands, the Company will spread its fixed  
14 costs over more accounts, thereby lessening the impact of future rate increases.

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

16 A. Yes, it does.

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