

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY**  
**OF**  
**CHRISTOPHER J. GOULDING**  
**AND**  
**DANIEL T. NAWAZELSKI**

**EXHIBIT CGDN-1**

**New Hampshire Public Utilities Commission**

**Docket No. DE 21-030**

1 A. Any payment received from a joint pole owner will be credited to customers  
2 through the Company's EDC in the same manner that it is currently be credited to  
3 customers today.

4 **Q. Are there consumer protections included in the 2021 Rate Plan?**

5 A. Yes, as described earlier, the Company would submit an annual compliance filing  
6 subject to Commission review and approval. As outlined in Schedule CGDN-1,  
7 the Company proposes a limitation on the annual increase in revenues associated  
8 with the annual rate adjustments to 2.5 percent of total revenue, with revenue for  
9 externally supplied customers being adjusted by imputing the Company's default  
10 service charges for that period. Any part of the rate adjustment that exceeds 2.5  
11 percent would be deferred for future recovery at the Company's cost of capital.  
12 The Company would also commit to a base rate case stay-out through 2024,  
13 subject to certain exogenous factors and considerations. The Company proposes  
14 an ROE collar which would allow the Company to file a base rate case before  
15 2024 if ROE was under 7 percent, but provides for earnings sharing of 50 percent  
16 if ROE is greater than 11 percent. In addition, as with the 2016 Rate Plan, the  
17 2021 Rate Plan includes features for exogenous events and excessive inflation.

18 **V. TEMPORARY RATES**

19 **Q. Is the Company requesting that temporary rates be set in this proceeding?**

20 A. Yes. The Company requests that temporary rates be established in the amount of  
21 \$5,812,761 (\$0.00501 per kWh) on an annualized basis to become effective on

1 June 1, 2021. The development of the temporary rate amount is detailed in  
2 Schedule CGDN-3.

3 **Q. Please explain how the temporary rate amount of \$5,812,761 (\$0.00501 per**  
4 **kWh) was derived?**

5 A. In general, we employed a conservative approach in calculating the amount of the  
6 temporary rate request. The amount of the temporary rate request was based on  
7 2020 test year-end rate base with only one pro forma adjustment which keeps the  
8 lost base revenue recovery through the Company's SBC until the time permanent  
9 rates become effective as discussed in greater detail above. No other known and  
10 measurable adjustments relating to future costs are requested in the temporary rate  
11 increase. The cost of capital used in the calculation is based on the rate case filing  
12 capital structure and debt costs as provided in Schedule RevReq-5. However, the  
13 cost of equity was set lower at 9.50 percent reflecting the last authorized return on  
14 equity awarded to the Company in its last base rate case. As shown in page 2 of  
15 Schedule-CGDN-3, this results in an overall cost of capital of 7.61 percent.

16 **Q. How does the Company account for and collect the difference between**  
17 **temporary rates and permanent rates once the Commission issues its order**  
18 **for permanent rates?**

19 A. After the Commission issues its order in this case, the Company will submit a  
20 filing to collect the difference in revenue (or "recoupment") between temporary  
21 and permanent rates from the date temporary rates went into effect to the date  
22 permanent rates became effective. The recoupment surcharge will be a charge per

1 kilowatt-hour, applied to all rate schedules, excluding electric vehicles rate  
2 classes. The Company expects to combine its recoupment with its rate case  
3 expenses which are explained in Section VIII.

4 **VI. OTHER REGULATORY PROPOSALS AND CONSIDERATIONS**

5 **Q. What other proposals and considerations is the Company making?**

6 A. The Company is requesting recovery of the first three items as part of the EDC,  
7 the fourth item be examined as part of a multi utility proceeding and the fifth item  
8 to be monitored during the pendency of the docket:

9 1. Waived Late Payment Charge Revenues for the period April 2020

10 through March 2021

11 2. Deferred Calypso Storm Costs

12 3. Incremental Wheeling Revenues

13 4. AHPA

14 5. Impact of RiverWoods Master Meter Plan (Docket No. DE 19-114)

15 We will discuss each adjustment individually in the following section.

16 **1. WAIVED LATE PAYMENT CHARGES**

17 **Q. How has the Company been impacted by the New Hampshire emergency**  
18 **order prohibiting utility disconnections and application of utility late**  
19 **payment fees?**

20 A. Yes, as a result of the shut off and late fee prohibition, UES was not able to apply  
21 late fees to customer's accounts beginning in March of 2020. For the calendar

UNITIL ENERGY SYSTEMS, INC.  
COMPUTATION OF REVENUE REQUIREMENT FOR TEMPORARY RATES  
12 MONTHS ENDED DECEMBER 31, 2020

LINE NO.	(1) DESCRIPTION	(2) REFERENCE	(3) AMOUNT
1	Rate Base	2020 Test Year-End Rate Base	\$ 223,474,292
2	Rate of Return	Schedule CG-DN-3, Page 2 of 4	<u>7.61%</u>
3	Income Required	Line 1 * Line 2	17,006,394
4	Adjusted Net Operating Income <sup>(2)</sup>	Schedule CG-DN-3, Page 3 of 4	<u>12,767,903</u>
5	Deficiency	Line 3 - Line 4	4,238,491
6	Income Tax Effect	Line 7 - Line 5	<u>1,574,270</u>
7	Revenue Deficiency for Temporary Rates	1.3714 (Schedule RevReq 1-1) * Line 5	<u>\$ 5,812,761</u>

UNITIL ENERGY SYSTEMS, INC.  
WEIGHTED AVERAGE COST OF CAPITAL  
5 QUARTER AVERAGE ENDED DECEMBER 31, 2020 PRO FORMA ROE SET AT CURRENTLY AUTHORIZED

LINE NO.	(1) DESCRIPTION	(2) AMOUNT	(3) PROFORMA ADJUSTMENT	(4) PROFORMED AMOUNT	(5) WEIGHT	(6) COST OF CAPITAL	(7) WEIGHTED COST OF CAPITAL	(8) REFERENCE
1	Common Stock Equity	\$ 101,242,877	-	\$ 101,242,877	52.91%	9.50%	5.03%	Amount Currently Authorized
2	Preferred Stock Equity	188,700	-	188,700	0.10%	6.00%	0.01%	Schedule RevReq 5-1 and 5-6
3	Long Term Debt	93,400,000	(3,500,000)	89,900,000	46.99%	5.49%	2.58%	Schedule RevReq 5-1 and 5-4
4	Short Term Debt	-	-	-	0.00%	1.68%	0.00%	Schedule RevReq 5-1 and 5-5
5	Total	<u>\$ 194,831,577</u>	<u>\$ (3,500,000)</u>	<u>\$ 191,331,577</u>	<u>100.00%</u>		<u>7.61%</u>	

**UNITIL ENERGY SYSTEMS, INC.  
PROPOSED TEMPORARY RATE  
INTEREST SYNCRONIZATION**

LINE NO.	DESCRIPTION	AMOUNT
1	Per Books Operating Income <sup>(1)</sup>	\$ 11,613,315
2	Adjustment for Lost Base Revenue <sup>(2)</sup>	1,076,981
3	Adjusted Operating Income	<u>\$ 12,690,296</u>
4	<b><u>Interest Synchronization</u></b>	
5	Rate Base	\$ 223,474,292
6	x Weighted Cost of Debt	2.58%
7	Interest Expense for Ratemaking	<u>\$ 5,764,650</u>
8	Less: 2020 Book Interest Expense (FERC 427-432) <sup>(3)</sup>	<u>5,478,066</u>
9	Increase / (Decrease) in Interest Expense	\$ 286,584
10	Tax-Effect (27.08% * Int. Sync)	(77,607)
11	Adjusted Net Operating Income	<u><u>\$ 12,767,903</u></u>

**Notes:**

(1) See Schedule RevReq-2 P1, column 4, line 21

(2) Per Docket No. DE 20-092 Exhibit Unitil Attachment L2, Page 1 (Bates Page 953),  
Line 3 + Line 7 + Line 11 + Line 14

(3) Excludes interest on customer deposits

**Unitil Energy Systems, Inc.**  
**Docket No. DE 21-030**  
**Schedule CGDN-3**  
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**UNITIL ENERGY SYSTEMS, INC.**  
**PROPOSED TEMPORARY RATE**  
**EFFECTIVE JUNE 1, 2021**

<b>DESCRIPTION</b>	<b>AMOUNT</b>
Temporary Rate Increase	\$ 5,812,761
Test Year kWh Sales	1,160,418,601
Temporary Rate \$/kWh	\$ 0.00501
\$ Impact on a 600 kWh residential bill	\$ 3.01