

NORTHERN UTILITIES, INC.

**DIRECT TESTIMONY OF
CHRISTOPHER J. GOULDING**

EXHIBIT CJG-1

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 21-xxx

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

6 A. I am the Director of Rates and Revenue Requirements for Unitil Service Corp.
7 (“Unitil Service”), a subsidiary of Unitil Corporation that provides managerial,
8 financial, regulatory and engineering services to Unitil Corporation’s utility
9 subsidiaries including Northern Utilities, Inc., which has operating divisions in
10 New Hampshire and Maine (the New Hampshire operating division is hereinafter
11 referred to as “Northern or the “Company”). My responsibilities include all rate
12 and regulatory filings related to the financial requirements of Northern and
13 Unitil’s other subsidiaries.

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

15 A. In 2000 I was hired by NSTAR Electric & Gas Company (“NSTAR,” now
16 Eversource Energy) and held various positions with increasing responsibilities in
17 Accounting, Corporate Finance and Regulatory. I was hired by Unitil Service
18 Corp. in early 2019 to perform my current job responsibilities. I earned a
19 Bachelor of Science degree in Business Administration from Northeastern
20 University in 2000 and a Master’s in Business Administration from Boston
21 College in 2009.

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

3 A. Yes.

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

5 A. The purpose of my testimony is to provide the Company's request for approval of
6 recovery of the increase in Northern's property taxes associated with HB 700.

7 **II. COST RECOVERY PROPOSAL**

8 **Q. What did HB 700 allow for?**

9 A. HB 700 established a methodology for valuing utility distribution assets for
10 property tax purposes, codified as RSA 72:8-d and -e. Part of that law established
11 a new methodology for assessing utility property, and a five-year phase-in period
12 to fully transition to that new methodology. The first property tax year of the
13 phase-in period is the tax year beginning April 1, 2020. The law also requires the
14 Commission to establish by order a rate recovery mechanism for the property
15 taxes paid by a public utility.

16 **Q. Did HB 700 allow for increases in all property taxes to be recovered?**

17 A. No, HB 700 allowed for the recovery of increases in property taxes associated
18 with "Utility company Assets" defined as:

19 "Utility company assets" means the following property not exempt under
20 RSA 72:23:

21 (2) For a gas company providing gas service to retail customers:
22 distribution pipes, fittings, meters, pressure reducing stations, buildings,

1 contributions in aid of construction (CIAC), construction works in
2 progress (CWIP), and land rights including use of the public rights of way,
3 easements on private land owned by third parties, and land owned in fee
4 by the gas company.

5 **Q. Is the Company's property tax recovery proposal limited to the recovery of**
6 **increases associated with local – utility plant assets only?**

7 A. No. For administrative efficiencies and simplified reconciliation, the Company is
8 proposing that the annual recovery includes the reconciliation of all local property
9 taxes (local building and utility plant assets).

10 **Q. How does the Company propose to address the change in state related**
11 **property taxes?**

12 A. The Company is proposing to exclude the changes in the state related property
13 taxes from the recovery proposal consistent with the language of HB 700.
14 Recovery of the state portion of the property taxes would continue to occur as it
15 does now as part of the normal rate case process.

16 **Q. How has the Company calculated the increase in property taxes related to**
17 **local property taxes?**

18 A. The Company compared the amount of Northern property tax recovery currently
19 in rates to the actual 2020 property tax expense.

20 **Q. How did the Company calculate the amount of property tax recovery**
21 **currently in rates and the amount related to local property taxes?**

1 A. The Company calculated that the amount of property tax recovery currently in
2 rates is \$4,537,262 by adding the allowed property tax recovery amounts allowed
3 as part of the last rate case in Docket No. DG 17-070 and the property tax
4 recovery amounts allowed in the subsequent step increases on May 1, 2018 and
5 May 1, 2019. The amount was then further assigned to the following three
6 categories: 1) state property tax recovery; 2) local – building property tax
7 recovery; and 3) local - utility plant property tax recovery, based on the
8 proportion of recovery from the last rate case. This resulted in \$1,044,300 of state
9 property tax recovery, \$32,324 of local – building property tax recovery and
10 \$3,460,638 of local – utility plant property tax recovery. The calculation can be
11 seen on lines 1 through 5 on page 1 of Schedule CJG-1.

12 **Q. What was the property tax expense for 2020?**

13 A. As shown on line 6 of Schedule CJG-1, the total property tax expense for the
14 Company in 2020 was \$5,250,429 of which \$1,235,986 was for state property
15 taxes, \$30,220 was for local – building property taxes, and \$3,984,223 was for
16 local – utility plant property taxes.

17 **Q. How much higher was the 2020 property tax expense than the amount**
18 **currently included in rates?**

19 A. As shown on line 7 of Schedule CJG-1, the 2020 property tax expense was
20 \$713,167 higher than the amount currently included in rates.

21 **Q. How much was the increase in local property taxes above the amount**
22 **currently recovered in rates?**

1 A. The total 2020 local property tax expense was \$521,482 higher than the amount
2 currently recovered in rates as shown on col 5, line 8 of Schedule CJG-1. The
3 2020 local – building property tax expense was \$2,104 lower and the 2020 local –
4 utility plant property tax expense was \$523,586 higher than the amount currently
5 recovered in rates.

6 **Q. What mechanism is the Company proposing to recover the increase in**
7 **property taxes?**

8 A. The Company is proposing to recover the increase in property taxes associated
9 with HB 700 in a new rate component included in the Company's Local
10 Distribution Adjustment Clause ("LDAC"). The new rate component, the
11 Regulatory Cost Adjustment Mechanism ("RCAM") will also include recovery of
12 the portion of the regulatory assessment not recovered in base rates, which is
13 currently recovered in the Gas Assistance Program & Regulatory Assessment
14 ("GAPRA").

15 **Q. Are there changes that need to be made to the LDAC tariff?**

16 A. Yes. Revisions to the LDAC tariff in red-line are included as Schedule CJG-2.

17 **Q. Please describe the timing of the recovery associated with the increase in the**
18 **2020 local property tax expense.**

19 A. For 2020, the total local property tax reconciliation under-recovery was \$521,482.
20 This under-recovery, plus the estimated regulatory assessment for the July 2021 –
21 June 2022 period, would provide the basis for the RCAM rate component
22 effective November 1, 2021 and included in the LDAC charge. In its subsequent

1 2022 Winter Cost of Gas Filing the Company will provide a reconciliation of the
2 November 2021 – October 2022 period and forecasted costs for the November
3 2022 – October 2023 period.

4 **Q. Please provide a summary of the Company's request.**

5 A. The Company is requesting that the Commission approve the recovery of
6 \$521,482 of increased property taxes in 2020 related to the impacts of HB 700
7 through a new reconciling mechanism called the RCAM that will be included in
8 the Company's LDAC tariff, to move the recovery of the portion of the regulatory
9 assessment costs currently included in the GAPRA to the RCAM, and approve the
10 proposed modifications to the LDAC necessary to allow for the ongoing recovery
11 of the reconciliation of local property taxes and other changes proposed herein.

12 **Q. What is the impact to the LDAC related to recovery of the incremental**
13 **property taxes?**

14 A. As shown on Schedule CJG-3, using the current sales forecast, the recovery of
15 property tax expense results in an increase of \$0.0072 per therm (Schedule CJG-3,
16 Page 1, Line 1 + Line 3). This calculation will be updated in the Annual Cost of
17 Gas Filing when the actual regulatory assessment will be known. The Company
18 also expects to update the sales forecast before the Annual Cost of Gas Filing.

19 **Q. What is the bill impact for an average residential heating customer?**

20 A. An average residential customer using 732 therms annual would see an annual
21 increase in their annual bill of \$5.27.

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

1 A. Yes, it does.