UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY

OF

CHRISTOPHER J. GOULDING

AND

KEVIN E. SPRAGUE

EXHIBIT CGKS-1

New Hampshire Public Utilities Commission

Docket No. DE 21-030

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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.

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 Unitil Energy Systems, Inc. ("UES" or the "Company"). My responsibilities include all rate and regulatory filings related to the financial requirements of UES 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 of the Company's 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 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 this Commission or other regulatory agencies?

A. Yes, I have testified on previous occasions before the New Hampshire Public Utilities Commission, the Maine Public Utilities Commission and the Massachusetts Department of Public Utilities. Most recently, I have testified in UES' pending rate case in docket DE 21-030. I have also testified in several of UES' annual Reliability Enhancement Program ("REP"), Least Cost Integrated Resource Planning ("LCIRP") and Vegetation Management Program ("VMP") filings, and Grid Modernization related dockets.

II. SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to present and support the Company's revenue requirement for its 2022 Step Adjustment based on 2021 capital spending. 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 June 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 $1,376,786 for 2021 capital spending and is included in this testimony pursuant to the proposed Settlement Agreement in DE 21-030 ("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 DE 21-030?

A. As shown on Table 1 (Bates 363) of the Company's pre-filed direct testimony of Kevin E. Sprague in docket DE 21-030, the forecasted capital spending was $31,586,277. This was based upon a five year capital budgeted forecast that was developed in 2020. The actual 2021 plant additions and cost of removal closed to plant was $26,034,218.

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

A. Yes. Schedule CGKS-1 provides a summary, by project, of capital additions placed into service during calendar year 2021. This schedule provides each applicable projects 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 with 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 $23,467,010 of additions with $17,757,782, or 76% classified as Non-Growth.

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

A. Yes. Schedule CGKS-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 provides further detail on the scope and justification for the project, budgeted amount, and 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 CGKS-3 provides the Company’s Cost Records for specific projects placed in service in 2021. Schedule CGKS-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 Schedule CGKS-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 Schedule CGKS-5, Line 10, is $280,003,109. This figure will be the amount filed in the Company's 2021 FERC Form 1, less the pro forma adjustment related to the Kensington Distribution Operating Center in docket DE 21-030. The Beginning Net Utility Plant of $269,855,036, 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 $10,148,073.

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 annual Change in Net Utility Plant provided above is multiplied by a factor of 76% and is shown in Line 13. The factor of 76% represents the ratio of 2021 non-growth capital additions to total capital additions and is supported in Schedule CGKS-2.

Then, Line 13 is multiplied by Line 14, pre-tax rate of return, to derive the Return and Taxes on Line 15. The Pre-Tax Rate of Return of 9.19% is calculated on Page 4, Column 6, Line 5. Next, Depreciation Expense is calculated on 76% of the annualized depreciation of Plant Additions for 2021. The depreciation rate of 3.35% reflects the composite depreciation rate in docket DE 21-030. Then, Property Taxes are calculated on 76% of the Change in Net Utility Plant (Line 13). 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 5.6 of the Settlement Agreement, $39,969 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 19.

Q. What is the Revenue Requirement that you derived?

A. Page 1 of Schedule CGKS-5, Line 19, shows the Revenue Requirement of $1,376,786.

Q. Is the Revenue Requirement at or below the first step adjustment cap?

A. Yes, pursuant to Section 2.2 of the Settlement Agreement, the first step adjustment request will be for a Revenue Requirement amount not higher than $1,377,331, which is $545 higher than the amount the Company is requesting.

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 except outdoor lighting, using proposed April 1, 2022 distribution rates and test year billing determinants. The outdoor lighting class revenue requirement remains the same. A schedule showing the resulting allocation of the Revenue Requirement is provided in Schedule CGKS-6.

Q. Please explain the 2022 Step Adjustment Rate Design.

A. Schedule CGKS-7 shows the rate design from currently proposed rates for effect April 1, 2022 in Docket DE 21-030 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 (G). Columns (H) through (I) show the Company's proposed rates, revenues, as well as the dollar and percentage changes from the Company's Settlement Agreement permanent rate increase effective April 1, 2022. Next, Columns (L) through (P) shows the Company's proposed 2022 Step Adjustment increase of $1,376,786. The increase is applied proportionately through distribution demand or energy charges as applicable for all rate classes. Outdoor lighting rates remain the same. The fixed transformer ownership discounts were left unchanged. Please note that amount of the increase generated in the rate design process differs slightly from the Step Increase due to rounding of the rates. Rates for the Residential Whole House Time of Use ("TOU") and Residential and General Service Electric Vehicle ("EV") class are provided on page 3. As noted, these rates are subject to approval in DE 20-170 and may have a different effective date. Pursuant to the Settlement Agreement in this proceeding, the Residential Whole House TOU rates shall be the same as the Residential TOU rate for EV charging, as updated from time to time, except that the customer charge for the Whole House TOU rate shall be the same as the customer charge for regular residential service. The demand and energy distribution rates for the Residential Whole House TOU and Residential and General Service Electric Vehicle rate classes were adjusted by the same percentage as the corresponding rate class.

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

A. Yes. Schedule CGKS-8 provides the Company's proposed Monthly Target RPCs effective June 1, 2022 reflecting the Revenue Requirement of $1,376,786 described above. The calculation reflects the methodology agreed upon and described in Section 4.1 of the Settlement Agreement. These calculations are driven by the Company's rate design to generate monthly revenue targets so are subject to rounding as discussed above.

V. TARIFF UPDATES

Q. Does this filing include a revised Summary of Delivery Service Rates and a Revised Summary of Low-Income Electric Assistance Program Discounts?

A. No. The Company intends to file revised rate schedules and rate summaries in a compliance filing when an order is issued since these same tariff pages are pending approval for effect April 1, 2022. Once approved, those tariff pages will serve as the basis to prepare the tariff changes for effect June 1, 2022.

VI. BILL IMPACTS

Q. What are the class bill impacts proposed for June 1, 2022?

A. Bill impacts are computed and shown in Schedule CGKS-9. These reflect the distribution rates as proposed in this filing versus proposed rates effective April 1, 2022 as a part of the Company's Settlement Agreement. As a result of this filing, a typical 600 kWh residential customer on Default Service will see a monthly bill increase of $0.92 or 0.5%. Impacts to other rate classes will be similar, but may vary based on size and consumption pattern.

VII. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.