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 23-XXX

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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' step adjustment docket in DE 22-026 and UES' request for approval of the Kingston Solar project in docket DE 22-073. I have also testified in several of UES' rates cases, 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 2023 Step Adjustment based on 2022 capital spending. The next part of our testimony provides the class Rate Design and the resulting Monthly Decoupling Revenue Per Customer ("RPC") Targets for effect June 1, 2023. We also provide class Bill Impacts associated with the 2022 Step

Adjustment. Lastly, we support the Company's proposed tariff changes associated with this filing.

Q. Please explain the increase for the 2023 Step Adjustment.

A. The calculated 2023 Step Adjustment is $1,212,421 for 2022 capital spending and is included in this testimony pursuant to the Settlement Agreement in DE 21-030 ("Settlement Agreement"). The Company derived the 2023 Step Adjustment by calculating the revenue requirement associated with the annual Change in Non-Growth Net Plant for the period January 1, 2022 through December 31, 2022. Additional details for the 2023 Step Adjustment are provided later in this testimony.

III. 2023 STEP ADJUSTMENT

Q. What was the Company's forecasted capital spending for calendar year 2022 for the 2023 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 $37,526,565. This was based upon a five-year capital budgeted forecast that was developed in 2020. The actual 2022 plant additions and cost of removal closed to plant was $21,838,718.

Q. Can you briefly explain the difference between the forecasted capital spending of approximately $38 million and the actual 2022 plant additions and cost of removal closed to plant of approximately $22 million?

A. Among other factors, the impact of the pandemic continues to affect the supply chain for materials and equipment required to complete the Company's capital projects. Material and equipment that used to have a lead time of weeks to months now have a lead time of months to well over a year. As a result, Unitil was unable to complete and close to plant a number of planned projects in 2022.

Q. Has the Company provided a summary of projects placed into service in 2022?

A. Yes. Schedule CGKS-1 provides a summary, by project, of capital additions placed into service during calendar year 2022. This schedule provides each applicable project's authorization number, budget code, 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 Growth ("G") or Non-Growth ("NG") and includes a split showing the amount of capital additions for each category. During calendar year 2022 the Company had $19,587,404 of additions with $15,571,549, or 79%, 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 2022. 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 provide 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. The Company agreed to provide this level of detail as a component of the Settlement Agreement in Docket No. DE 21-030.

Q. Has the Company provided Cost Records for projects placed in service in 2022?

A. Yes. Schedule CGKS-2 provides the Company's Cost Records for both specific and blanket projects placed in service in 2022.

Q. How has the Company organized the supporting information provided?

A. Schedule CGKS-1 provides a cost summary for each of the projects closed to plant in 2022. Projects are categorized as a specific project (i.e. a project with a known scope of work at budget time, such as line extensions, equipment replacements, voltage conversions, etc.) or a blanket project (i.e. project spending that is unknown at the time of the budget and based upon historical spending, such as T&D improvements, outdoor lighting, emergency and storm restoration, billable work, etc.). Software projects that are allocated to the Company's affiliate companies are identified as USC ("Unitil Service Corp.") projects. All projects listed in Schedule CGKS-1 have an authorization number which is unique to the individual project. The documentation associated with each authorization number is provided in Schedule CGKS-2 in the following sequence: 1) budget input sheet, 2) authorization, 3) any supplemental or revised authorizations and 4) cost records. Additionally, to assist in the review of the documentation, the Company has added a column in Schedule CGKS-1 that provides the corresponding page number in Schedule CGKS-2 where the documentation for each project can be found.

Q. How is Net Utility Plant derived?

A. Page 1 of Schedule CGKS-3 shows Beginning Net Utility Plant, Beginning Utility Plant, Plant Additions, Retirements, and Ending Utility Plant on Lines 1-5. Plant Additions and Retirements are detailed on Page 2 by FERC account. Then Page 1, Lines 6-10 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 11 and the Change in Non-Growth Net Plant shown on Line 12.

Q. Has the Company made any adjustments to Net Utility Plant from the Company's books and records?

A. Yes, the Company has made two adjustments to Net Utility Plant. First, Unitil agreed that it would not seek recovery of the 2021 and 2022 residual costs associated with the Exeter Distribution Operations Center ("DOC") construction project in the Company's 2022 or 2023 step adjustment proceedings, and would instead work with the Department of Energy to address these costs in advance of the Company's next base rate case. DE 22-026, Unitil Energy Systems, Inc., Letter to Commission at 2 (June 10, 2023) (Docket Tab #18). The Company reserves the right to seek recovery of these costs in its next base rate case, and the removal of the DOC costs from this filing should not be construed as a waiver of the right to seek recovery of these costs. Second, although the City of Concord streetlight conversion has not been fully completed, the Company has removed the December 31, 2022 undepreciated value of the City of Concord streetlights totaling $178,920.88 pursuant to DE 21-030 Settlement Agreement, Section 6.7.3.

Q. What is the change in Non-Growth Net Utility Plant in Service for calendar year 2022?

A. The Change in Non-Growth Net Plant seen on Page 1 of Schedule CGKS-3, Line 12 is $7,117,536.

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 Non-Growth Net Utility Plant of $7,117,536 is multiplied by Line 13, pre-tax rate of return, to derive the Return and Taxes on Line 14. The Pre-Tax Rate of Return of 9.18% is calculated on Page 4, Column 6, Line 5. Next, Depreciation Expense is calculated using Non-Growth Plant Additions for 2022. The depreciation rate of 3.35% reflects the composite depreciation rate in docket DE 21-030. Then, Property Taxes are calculated using the Change in Non-Growth Net Utility Plant (Line 12). 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. Finally, Return and Taxes, Depreciation Expense and Property Taxes are added together to arrive at the Revenue Requirement in Line 17.

Q. What is the Revenue Requirement that you derived?

A. Page 1 of Schedule CGKS-3, Line 17, shows the Revenue Requirement of $1,212,421.

Q. Is the Revenue Requirement based upon a non-growth investment level at or below the Settlement Agreement cap?

A. Yes, pursuant to Section 2.2 of the Settlement Agreement, the second step adjustment request will be based on a 2022 non-growth investment level of no more than $26,738,022, which is $11,463,169 higher than the level of non-growth investment used in this filing.

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 through demand or energy charges to all customer classes except outdoor lighting, using approved August 1, 2022 distribution rates, restated to reflect annualized recovery and test year billing determinants. The outdoor lighting class revenue requirement remains the same.

Q. Please explain the 2023 Step Adjustment Rate Design.

A. Schedule CGKS-4 shows the rate design from the approved rates for effect June 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 (D). Columns (E) through (F) show the Company's approved rates and revenue from the Company's Settlement Agreement permanent rate increase effective June 1, 2022. Next, Columns (G) through (Q) shows the Company's approved 2022 Step Adjustment increase of $1,303,839 utilizing rate design for recovery over both a 10-month and 12-month period. See DE 22-026, Order at 7 (July 28, 2022) (approving a 10-month period of recovery). Lastly, Columns (R) through (U) shows the proposed 2023 Step Adjustment increase of $1,212,421. 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. Rates for the Residential Whole House Time of Use ("TOU") and Residential and General Service Electric Vehicle ("EV") class are provided on pages 3-8. 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-5 provides the Company's proposed Monthly Target RPCs effective June 1, 2023 reflecting the increase to the Revenue Requirement of $1,212,421 described above. The calculation reflects the methodology agreed upon and described in Section 4.1 of the Settlement Agreement.

V. TARIFF UPDATES

Q. Does this filing include proposed tariff updates?

A. Yes. Redline versions as well as clean versions of tariffs reflecting the proposed distribution rate changes are included with this filing.

VI. BILL IMPACTS

Q. What are the class bill impacts proposed for June 1, 2023?

A. Bill impacts are computed and shown in Schedule CGKS-6. These reflect the distribution rates as proposed in this filing versus currently effective rates. As a result of this filing, a typical 600 kWh residential customer on Default Service will see a monthly bill increase of $0.61 or 0.3%. 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.