

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
DANIEL T. NAWAZELSKI**

EXHIBIT DTN-1

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 23-XXX

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1 **I. INTRODUCTION**

2 **Q. Please state your names and business address.**

3 **A.** My name is Daniel T. Nawazelski, and my business address is 6 Liberty Lane West,
4 Hampton, New Hampshire 03842.

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

6 **A.** I am the Manager of Revenue Requirements for Unitil Service Corp. (“Unitil
7 Service”) a subsidiary of Unitil Corporation that provides managerial, financial,
8 regulatory and engineering services to Unitil Corporation’s utility subsidiaries
9 including Unitil Energy Systems, Inc., (“UES” or the “Company”). In this
10 capacity I am responsible for the preparation and presentation of distribution rate
11 cases and in support of other various regulatory proceedings.

12 **Q. Mr. Nawazelski, please describe your business and educational background.**

13 **A.** I began working for Unitil Service in June of 2012 as an Associate Financial
14 Analyst and have held various positions with increasing responsibilities leading to
15 my current role of Manager of Revenue Requirements. I earned a Bachelor of
16 Science degree in Business with a concentration in Finance and Operations
17 Management from the University of Massachusetts, Amherst in May of 2012. I
18 am also currently pursuing my Masters in Business Administration at the
19 University of New Hampshire.

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

3 **A. Yes, I testified before this Commission on various financial, ratemaking and**
4 utility regulation matters. I have also testified in proceedings before the Maine
5 Public Utilities Commission and the Massachusetts Department of Public
6 Utilities.

7 **II. SUMMARY OF TESTIMONY**

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

9 **A. The purpose of my testimony is to (1) provide the Company's request for**
10 approval of recovery of the increase in property taxes associated with HB 700 and
11 (2) filing-related costs associated with the Company's Kingston Project proposal
12 in Docket No. DE 22-073.

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

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

1 **Q. Has the Company included recovery of the change in state related property**
2 **taxes?**

3 A. No. The Company has excluded the changes in the state related property taxes
4 from the recovery request consistent with the language of HB 700. Recovery of
5 the state portion of the property taxes will continue to occur as it does now as part
6 of the normal rate case process.

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

9 A. The Company compared the amount of property tax recovery currently in rates to
10 the actual 2022 property tax expense.

11 **Q. How did the Company calculate the amount of property tax recovery**
12 **currently in rates?**

13 A. Schedule DTN-1, page 1, lines 1-3, provides the amount of property tax recovery
14 that was in rates from January 1, 2022 through July 31, 2022 per the rate case
15 settlement in Docket DE 21-030. The annual property tax recovery for that
16 respective period is \$7,875,594. This amount was further assigned to state
17 property tax recovery of \$1,656,954 and local property tax recovery of
18 \$6,218,640¹.

19 Next, Schedule DTN-1, page 1, lines 4-7, provides the amount of property tax
20 recovery that was in rates from August 1, 2022 through December 31, 2022 per

¹ Docket No. DE 21-030 Settlement Agreement Section 11.6

1 the rate case settlement in Docket DE 21-030 and subsequent step adjustment
2 filing in Docket DE 22-026. The annual property tax recovery for that respective
3 period is \$7,923,101. This amount was further assigned to state property tax
4 recovery of \$1,704,461 and local property tax recovery of \$6,218,640.

5 Finally, Schedule DTN-1, page 1, line 8, calculates the 2022 annual property tax
6 recovery level by reflecting seven months of recovery at the Docket No. 21-030
7 recovery level and five months at the Docket Nos. 21-030 and 22-026 recovery
8 level.

9 **Q. What was the property tax expense for 2022?**

10 A. As shown on line 9 of Schedule DTN-1, page 1, the total property tax expense for
11 the Company in 2022 was \$8,289,485 of which \$1,635,665 was for state property
12 taxes and \$6,653,820 was for local property taxes. Schedule DTN-1, page 2,
13 provides a summary of the local property tax bill detail by town and Schedule
14 DTN-2 provides the property tax bills. The Company has removed the 2022
15 property taxes related to the Kensington DOC totaling \$18,761, consistent with
16 the Company's Settlement Agreement in Docket No. 21-030. Schedule DTN-,
17 page 3, provides a reconciliation to the Property Tax Expense presented in the
18 Company's FERC Form 1.

19 **Q. Were any abatements received in 2022 related to 2020-2022 property tax**
20 **bills?**

21 A. No.

1 **Q. How much higher was the 2022 property tax expense than the amount**
2 **currently included in rates?**

3 A. As shown on Schedule DTN-1, page 1, line 11, the 2022 property tax expense
4 was \$435,181 higher than the amount currently included in base distribution rates.

5 **Q. Through what mechanism is the Company allowed recovery of the increase**
6 **in local property taxes?**

7 A. In Order No. 26,500 (July 29, 2021) in Docket No. DE 21-069, the Commission
8 approved the Company's proposed method for reconciliation of local property
9 taxes consistent with the authority in RSA 72:8-e through the Company's
10 External Delivery Charge ("EDC")

11 **Q. Has UES incorporated any changes to its EDC as a result of the recent Order**
12 **in DE 22-073?**

13 A. Yes. The Company has included \$100,051.60 of filing-related costs associated
14 with its Kingston Project proposal per the May 1, 2023 Order in DE 22-073. This
15 balance includes \$88,396.60 of Daymark Energy Advisors ("Daymark") costs and
16 \$11,655.00 of PwC costs. Daymark provided a quantification of the Kingston
17 Project's indirect benefits including economic benefits, avoided emission benefits,
18 and demand reduction induced price effect. Daymark's testimony and expertise in
19 DE 22-073 ensured that the Commission and intervenors were aware of all
20 benefits the Kingston Project provided. Next, PwC provided tax guidance and a
21 review of the Company's proposed treatment of the Federal Tax Credits resulting
22 from the Kingston Project which was a key component of the Benefit-Cost

1 Analysis. A cost summary including the associated invoices has been provided in
2 Schedule DTN-3.

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

4 A. The Company is requesting that the Commission approve the recovery of
5 \$435,181 of property taxes in 2022 related to the impacts of HB 700 through the
6 Company's EDC. This represents an increase of \$331,208 from the amount
7 approved in last year's EDC of \$103,973. Lastly, the Company is requesting
8 Commission approval of \$100,051.60 of filing-related costs associated with its
9 Kingston Project proposal per the May 1, 2023 Order in DE 22-073.

10 **III.CONCLUSION**

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

12 A. Yes, it does.