

**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**

**DG 17-070**

**In the Matter of:**  
**Northern Utilities, Inc.**

**Request for Change in Rates**

**Direct Testimony**

**of**

**Al-Azad Iqbal**  
**Utility Analyst – Gas & Water Division**

**December 20, 2017**

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**Q. Please state your name, occupation and business address.**

**A.** My name is Al-Azad Iqbal, and I am employed by the New Hampshire Public Utilities Commission (Commission) as Utility Analyst. My business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire, 03301.

**Q. Please summarize your educational and professional experience.**

**A.** My educational and professional backgrounds are summarized in Appendix A.

**Q. What is the purpose of your testimony in this proceeding?**

**A.** The purpose of my testimony is to provide Staff’s recommendations on issues related to the proposal of Northern Utilities, Inc. (Northern) concerning depreciation expense.

**Q. When was the last depreciation study done for Northern? Is the current study consistent with that last study?**

**A.** Northern’s last depreciation study was done in Docket DG 11-069. In that study, Mr. Normand used the same methodology as presented in this case. In both cases, he used a Simulated Plant Record (“SPR”) life analysis approach using a straight line method, broad group procedure, average whole life technique using the “Iowa”-type survivor curves at the account level. Then he evaluated the results using other factors including the character of the depreciable assets, experience, engineering knowledge, and judgment etc.

**Q. Please summarize your recommendation on depreciation and amortization expenses.**

**A.** Northern proposes overall depreciation and amortization expense of \$6,996,962. My recommendation is \$6,765,597, a reduction of \$231,365. Schedule AI-DEP-1 provides a summary of my recommendation. There are two components reflected in my overall

1 recommendation: depreciation expense and the amortization of the depreciation reserve  
2 variance. I recommend depreciation expense of \$6,765,597 and amortization of depreciation  
3 reserve variance of (\$69,136).

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5 Please refer to Schedule AI-DEP-1 for a summary of my recommendation for depreciation  
6 expense. I adjusted the proposed average service life for two accounts (375.2 and 375.7)  
7 based, in part, on the analyses done by Mr. Normand. I kept net salvage as proposed by the  
8 Company with a few exceptions. I support amortizing the reserve variance over two  
9 depreciation cycles or 12 years.

10 **Q. Please explain why you adjusted ASL for account 375 and subaccounts.**

11 **A.** In general, Staff looked for convincing rationale to change the current ASL and net salvage.  
12 In absence of any such rationale with supporting analysis, Staff kept the current ASL.  
13 Specifically, for account 375.2 and 375.7, Staff recommends keeping current ASL of 70 years  
14 (versus proposed 60 years) and accepts the recommendation for the net salvage for these  
15 accounts.

16 **Q. Please explain why you adjusted net salvage for accounts 376.20, 376.60, and 380.0?**

17 **A.** Staff reviewed the salvage analysis provided for these two accounts. For Account 376.60, the  
18 analysis does not support the increase, so Staff recommends keeping the current net salvage  
19 rate (-25%).

20 For the 376.20, the salvage analysis supports an increase if one does not consider other  
21 factors. Staff looked at these assets and cost of removal (“COR”) for recent years. There is

1           only 0.41 mile (with 53 services) of the coated/wrapped remaining in service<sup>1</sup>. From 2012 to  
2           2016, 1.5 miles of the coated/wrapped were retired with a total COR of \$366,866. Assuming  
3           the COR follows the same trend, for the remaining 0.41 mile, COR would be approximately  
4           \$100,000. The proposed COR rate (1.0638%) results a recovery of \$191,000, which is almost  
5           double of the recent actual cost of removal for coated mains. If we assume that next  
6           depreciation study will be done in six years, total COR related recovery by that time would be  
7           more than ten times the potential actual cost. Thus, Staff believes that keeping current net  
8           salvage (-25%) is reasonable for this account.

9           For the Service account (380.0), the salvage analysis<sup>2</sup> supports reducing the current net  
10          salvage instead of increasing it. Accordingly, Staff recommends reducing the net salvage from  
11          current (-75%) to the current net salvage (-65%).

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13   **Q.    Does that conclude your testimony?**

14   **A.    Yes.**

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1 See Bates page 000637

2 See Bates page 000616; % net salvage shows -63.8% for 2012-2016, and -56.0% for 2009-2016