UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY

OF

CHRISTOPHER J. GOULDING

AND

DANIEL T. NAWAZELSKI

EXHIBIT CGDN-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 Daniel T. Nawazelski, 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. Nawazelski, what is your position and what are your responsibilities?

A. I am the Lead Financial Analyst for Unitil Service. In this capacity I am responsible for the preparation and presentation of distribution rate cases and in support of other various regulatory proceedings.

Q. Please describe your business and educational background.

A. I began working for Unitil Service in June of 2012 as an Associate Financial Analyst. Since then I have been promoted four times, the most recent promotion was to the role of Lead Financial Analyst in 2018. I earned a Bachelor of Science degree in Business with a concentration in Finance and Operations Management from the University of Massachusetts, Amherst in May of 2012.

Q. Have you previously testified before this Commission or other regulatory agencies?

A. Yes, I have testified before the Commission on various financial, ratemaking and utility regulation matters. I have also testified before the Maine Public Utilities

Commission and Massachusetts Department of Public Utilities on similar matters on several occasions.

II. SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to present and support UES in its request for a permanent increase in distribution base rates based on 2020 test year revenues and expenses and year-end rate base with pro forma adjustments for known and measurable changes consistent with Commission precedent. Also, as introduced in the prefiled testimony of Company witness, Mr. Robert Hevert, we describe the process and mechanics of the Company's requested multi-year rate plan (the "2021 Rate Plan"). Next, we describe and support the Company's request for a temporary increase in distribution base rates which would be subject to reconciliation based on the difference between permanent and temporary rates. Next, we discuss the Company's other regulatory proposals regarding waived late payment charges, deferred storm costs, wheeling revenues and Active Hardship Protected Accounts ("AHPA") and the impact of a customer's upcoming master meter plan. Next we explain the transition to decoupling from the current lost revenue recovery mechanism. We then describe proposed changes to the Company's External Delivery Charge ("EDC") tariff. Finally, we provide estimated rate case costs and proposed recovery of those costs.

Q. Please summarize the Company's conclusions with respect to its revenue requirement.

A. Based on test year results, as adjusted for known and measurable changes, for the twelve months ended December 31, 2020, the Company has determined the need to increase its base distribution revenues by $11,992,392 or approximately 4.4 percent over the Company's total revenue under present rates after accounting for changes to other reconciling mechanisms. These changes roll certain items, such as lost base revenue, regulatory assessments and vegetation management expense, currently collected through reconciling mechanisms reimbursement into base distribution rates. The request is founded on the need for achieving, after payment of all operating expenses, taxes and other charges, a weighted average cost of capital of 7.88 percent that includes a return of equity ("ROE") of 10.00 percent.

Q. Please elaborate on the changes in existing reconciling mechanisms described above.

A. The Company currently collects certain costs including lost base revenue, regulatory assessments and vegetation management expenses through reconciling mechanisms. The proposed adjustments in the instant proceeding move the recovery of these costs through reconciling mechanism to base rates. While these adjustments reflect significant increases to base rates, it does not reflect any additional impact to ratepayers or additional revenue to the Company. Rather, it simply moves recovery of the costs from the reconciling mechanisms to base rates. Each of these proposed adjustments is described in greater detail below with the applicable reconciling mechanisms that are impacted. The movement of these costs results in the Company's net base revenue increase of $9,349,601 after adjusting for the cost recovery movement has been summarized in Table 1 below.

Table 1: Net Revenue Deficiency Increase

Description	Reference	Amount
Revenue Deficiency	Schedule RevReq-1, Line 7	$ 11,992,392
Cost Recovery Movement		
Lost Base Revenue	Per Company Calculation	$ (1,076,981)
Regulatory Assessments	Schedule RevReq-3-8, Line 5	$ (159,383)
VMP Expense	Schedule RevReq-3-3, Line 19	$ (1,406,427)
Net Revenue Deficiency		$ 9,349,601

III. DEVELOPMENT OF THE DISTRIBUTION REVENUE REQUIREMENT

A. METHOD OF ANALYSIS

Q. What approach did you use to perform the revenue requirement analysis?

A. To perform the revenue requirement analysis, we determined the cost of service, using a test-year approach as pro formed and adjusted for material, known and measurable changes. We then compared the cost of service to test year revenues (as adjusted) to derive a revenue deficiency, and the corresponding revenue requirement that UES would have to receive on a test year basis to make up this deficiency. The deficiency is then increased for state and federal income taxes to determine the revenue deficiency.

Q. What was the test year for computing the Company's cost of service?

A. The test year is the twelve-month period ending December 31, 2020, which is the most recent calendar year for which data is available. Calendar year 2020 data is also readily verifiable to the most recent annual reports submitted by UES.

Q. What standards were employed to determine the pro forma adjustments?

A. All adjustments to the test year cost of service are based upon known and measurable changes to revenues and expenses, or upon changes that will become known and measurable during the course of this proceeding. As a practical matter, the Company has limited all pro forma adjustments to those that will be known and measurable through April 1, 2022, which is the date permanent rates are expected to go into effect for this proceeding.

Q. Why are these standards important?

A. The rates established in this proceeding should provide UES with sufficient revenues to continue to ensure safe, reliable and cost-effective delivery service for UES's customers and to provide a reasonable opportunity for UES to earn its authorized rate of return. UES has a reasonable opportunity to earn its allowed rate of return when the proposed rates reflect, as closely as possible, the cost of service that UES will actually experience when permanent rates are awarded.

Q. Have you followed the Commission's required format for presenting the calculation of the proposed revenue requirement?

A. Yes, to the best of our knowledge. We have followed the requirements as described in New Hampshire Code of Administrative Rules, Chapter Puc 1600

Tariffs and Special Contracts, Part Puc 1604 Full Rate Case Filing Requirements, Sections Puc 1604.06 through 1604.09. The Filing Requirement Schedules specified in Sections Puc 1604.06 and 1604.07 have been provided as "Filing Requirement Schedules Pages 1-12." The Filing Requirement Schedules are a summary of the actual revenue requirement model which drives the underlying calculations of the revenue deficiency. This revenue requirement model will be referred to throughout the rest of our testimony as "RevReq" schedules. The Rate of Return Information specified in Section Puc 1604.08 has been provided in Schedules RevReq-5 through 5-7. The Adjustments to Test Year specified in Section Puc 1604.09 have been provided in Schedules RevReq-3 through 3-21.

Q. Has UES filed other material as required by Part Puc 1604 Full Rate Case Filing Requirements?

A. Yes. The material required by Section Puc 1604.01, Contents of a Full Rate Case, has been provided with this filing as separate volumes of materials.

B. SUMMARY OF RESULTS

Q. Please summarize the results of your revenue requirement analysis.

A. In the current proceeding, the Company is requesting rate adjustments related to the Base Distribution function. As shown on Schedule RevReq-1, comparing the adjusted cost of service to the adjusted operating revenues derives the Base Distribution revenue deficiency for the test year of $11,992,392 based on an overall rate of return on rate base of 7.88 percent and known and measurable adjustments to test year revenues, expenses, and rate base.

Q. Please describe the test year operating income, as adjusted, and used to determine the revenue deficiency.

A. The revenue requirement schedules and workpapers for UES in the test year are presented in Schedule RevReq-1 through RevReq-6 and Workpapers supporting the revenue requirement schedules. The pro forma operating income for UES in the test year is presented in Schedule RevReq-2 pages 1 and 2. On page 1, the "per books" revenues, operating expenses and net operating income are set forth in column (2), labeled "Test Year 12 Months Ended 12/31/20." In Column (3), labeled "Test Year Flow-Through," test year revenue and operating expenses associated with various non-base rate mechanisms are summarized. The rate mechanism results in column (3) are subtracted from column (2) to arrive at "Test Year Distribution" results in column (4). The proposed normalizing adjustments are set forth in the column (5), labeled "Proforma Adjustments." The adjusted revenues, operating expenses and net operating income are set forth in column (6), labeled, "Test Year Distribution as Proformed." The final two columns contain operating revenues and expenses for the two preceding calendar years 2019 and 2018. On page 2 of Schedule RevReq-2, the proposed normalizing adjustments are set forth in column (3), labeled "Pro Forma Adjustments." The pro forma adjustments are added to column (2), labeled "Test Year Distribution," to obtain the adjusted revenues and operating expenses in column (4), labeled

"Test Year Distribution as Pro Formed." The pro forma operating income from column (4) is used to determine the operating income deficiency which is summarized in Schedule RevReq-1. The pro forma operating income from column (4) is used to determine the operating income deficiency which is summarized in Schedule RevReq-1. Schedule RevReq-1 calculates the income required by multiplying rate base by the rate of return. The pro forma operating income from column (4) Schedule RevReq-2, pages 2 of 2 is then subtracted from the income required in Schedule RevReq-1 to obtain the operating income deficiency. This operating income deficiency is then grossed up for federal and state taxes to obtain the revenue deficiency as shown in Line 7 of Schedule RevReq-1.

Q. Please describe the pro forma adjustments that are shown in column (5) of Schedule RevReq-2.

A. As shown, we have made pro forma adjustments to the following areas:

- Revenue
- Operating and Maintenance Expenses
- Depreciation and Amortization
- Taxes Other than Income
- Federal and State Income Taxes
- Net Book Value, Accumulated Deferred Taxes & Excess Deferred Taxes (Rate Base)

These pro forma adjustments are detailed on Schedule RevReq-3 and on subsequent schedules as identified.

Q. Have you provided additional schedules that summarize the results of your revenue requirements analysis and support the rate change requested?

A. Yes, we have. Schedule RevReq-4 contains all rate base components, including plant in service, accumulated depreciation, and deferred income taxes, as well as associated rate base related pro forma adjustments. Lastly, Schedule RevReq-5 provides the calculations showing the Company's requested return on rate base of 7.88 percent.

C. DISTRIBUTION REVENUE REQUIREMENT

I. TOTAL OPERATING REVENUES

Q. What adjustments were made to Total Operating Revenues?

A. We made the following adjustments to total operating revenues:

- Non-Distribution Bad Debt
- Unbilled Revenues
- New Distribution Operating Center ("DOC") Rent Revenue
- Late Fees

1. NON-DISTRIBUTION BAD DEBT

Q. Please explain the non-distribution bad debt adjustment.

A. Total revenues have been decreased by $143,623 to remove accrued revenue associated with non-distribution bad debt. A similar adjustment was made to decrease operating expenses by $143,623 which is the provision for non-distribution bad debt in operating expenses. These adjustments are summarized in Schedule RevReq-3-1. Overall, there is no impact on the revenue requirement since both the revenue and operating expenses are adjusted by the same amount.

2. UNBILLED REVENUE

Q. Please explain the unbilled revenue adjustment.

A. The Company books unbilled revenue to account for the difference between the amount of electricity delivered to customers during the test year and the amount billed to customers during the same period. The accrual for the amount of unbilled sales was removed from the test year. This adjustment decreases revenue by $137,189 as shown in Schedule RevReq-3-1.

3. NEW DOC REVENUE

Q. Please explain the new DOC rent revenue adjustment.

A. The Company has increased test year revenue by $313,007 for estimated rent revenue received from Unitil Service for use of the new Exeter DOC. The Company intends to update this amount for actual 2021 rent revenues during the pendency of this case, but does not expect the amount to materially change from its estimate.

4. LATE FEE REVENUE

Q. Please explain the late fee revenue adjustment.

A. The Company has increased test year revenue by $180,938 to normalize the late payment charge revenue to the 2019 level to account for the Governor and Commission order issued in March 2020 that prohibited the charging of customers late payment fee. The moratorium resulted in the Company collecting a non-representative level of late payment charge revenue in the test year.

Q. Is the Company proposing to recover the lost late payment charge revenues associated with the moratorium that is currently in place?

A. Yes, the details of the proposal are explained below in Section VI "Other Regulatory Proposals and Considerations".

II. OPERATING & MAINTENANCE EXPENSES

Q. What is the amount of UES's per books Operating & Maintenance Expense?

A. In the test year, UES incurred $22,748,486 of Operating & Maintenance ("O&M") Expense related to Distribution, as shown on Schedule RevReq-2, Page 2, Column 2, Line 7 through 12.

Q. What adjustments were made to O&M Expenses?

A. Pro forma adjustments are included in the distribution cost of service for the following O&M Expenses:

- Non-Distribution Bad Debt
- Payroll
- Vegetation Management Expense ("VMP")
- Medical & Dental Insurances

- Pension, Postemployment Benefits Other than Pension, Supplemental Executive Retirement Plan, 401K, and Deferred Compensation Plan Expense
- Property & Liability Insurance
- DOC Expense
- Commission Regulatory Assessment
- Dues and Subscriptions
- Pandemic Costs
- Claims & Litigation
- Severance
- Distribution Bad Debt
- Protected Receivables
- Arrearage Management Program ("AMP") Implementation Cost
- Inflation Allowance

We will discuss each adjustment individually in the following section.

1. NON-DISTRIBUTION BAD DEBT

Q. Please explain the adjustment for Non-Distribution Bad Debt

A. As discussed earlier in our testimony, we removed revenue associated with non-distribution bad debt. In O&M Expense, we also remove these same amounts on Schedule RevReq-3-1.

2. PAYROLL

Q. What adjustment was made to payroll?

A. The payroll adjustment, as reflected on Schedule RevReq-3-2 Page 1, adjusts the test year payroll charged to O&M Expense for the following:

1. Annualization of the pay rate increases that have occurred during calendar year 2020 for the union employees;
2. The effect of pay rate increases that occurred on January 1, 2021 and will occur on June 1, 2021 and that are projected to occur on January 1, 2022 and June 1, 2022.

These adjustments have been made to the payroll for both UES and Unitil Service. The 2022 wage increases are estimated for the purposes of this initial filing, but will be updated with actual results before the completion of this proceeding. Test year incentive compensation was booked to the target level so no adjustment is required. The pro forma increase to test year O&M payroll is $709,516 as shown on Schedule RevReq-3-2 Page 1, Column 6, Line 13. This adjustment is discussed in more detail in the prefiled testimony of Mr. John Closson and Mr. Joseph Conneely.

3. VEGETATION MANAGEMENT & RELIABILITY ENHANCEMENT PROGRAM

Q. What is the purpose of the Vegetation Management Program ("VMP") and Reliability Enhancement Program ("REP") adjustment?

A. The VMP and REP expense has been pro formed to increase the test year expense by $1,406,427 to adjust the total VMP and REP expense recovery through base distribution rates to $6,265,166. This amount equals the revised amount of program costs that the Company filed for in the 2021 VMP in DE 20-183. The increase of $1,406,427 is due to an increase of $416,927 in the 2021 budgeted amount above the test year 2020 amount of $5,848,239 and the removal of the $989,500 credit associated with the reimbursement from third party vendors who reimburse the Company for a portion of the vegetation management that the Company performs. While the adjustment is significant, it does not reflect any additional impact to ratepayers or additional revenue to the Company. Rather, it merely moves recovery of the full costs of vegetation program from the EDC mechanism to base rates.

Q. What is the Company proposing related to potential future reimbursements from third party vendors?

A. The Company is proposing that any reimbursement received will be returned to customers via the EDC. This is consistent with the current treatment of the reimbursement.

Q. Is the Company proposing to continue annually reconciling the actual REP and VMP expenses through the EDC?

A. Yes, consistent with the current process, the Company is proposing to continue to reconcile annually the actual VMP and REP expense to the amount included for recovery in base distribution rates and refund or recover the difference as part of the EDC. The only difference from the current process and this proposal is that the Company is proposing to update the amount of recovery in base distribution rates in order to reduce the amount of VMP and REP cost recovered via the EDC.

4. MEDICAL & DENTAL INSURANCE

Q. What is the purpose of the Medical & Dental Insurance Adjustment?

A. The test year O&M expense has been pro formed to increase test year medical and dental insurance by $359,921. This adjustment is shown on Schedule RevReq-3-4, and includes amounts allocable to UES from Unitil Service. The adjustment is based on actual working rates for 2021, and an estimated increase for 2022. Before the completion of this proceeding, this adjustment will be updated to reflect actual 2022 working rates. This adjustment is supported and presented in the prefiled testimony of Mr. John Closson and Mr. Joseph Conneely.

5. RETIREMENT COSTS

Q. Please explain the pension, postemployment benefits other than pension, supplemental executive retirement plan, 401(k) adjustments and deferred compensation expense.

A. The purpose of the pension, postemployment benefits other than pension (PBOP), supplemental executive retirement plan (SERP), 401(k), and deferred compensation expense adjustments is to update these costs from test period O&M expense. The latest year-end 2020 actuarial report, which provides 2021 calendar year expense, was the basis for the pension, PBOP, and SERP adjustment. The 2020 401(k) and deferred compensation expense was adjusted to reflect the effect of the payroll increases referenced above. The pension, PBOP, SERP, 401 (k), and deferred compensation expense adjustments are all provided in Schedule RevReq-3-10 which shows a pension increase of $62,288, a decrease to PBOP expense of $41,636 and increases to SERP, 401(k) and deferred compensation expense of $85,989, $41,844 and 64,957, respectively. These adjustments include costs for the Company as well as costs allocable to the Company from Unitil Service. This adjustment is supported and presented in the prefiled testimony of Mr. John Closson and Mr. Joseph Conneely.

6. PROPERTY & LIABILITY INSURANCE

Q. Please describe UES's property and liability insurance coverage and the adjustment to test year property and liability insurance expense.

A. Property and liability insurance coverage includes a number of types of insurance that provide protection from casualty and loss, and other damages that the Company may incur in the conduct of its business. UES's insurance program includes both premium-based and self-insured coverages, in order to obtain the widest portfolio of insurance coverage at the most reasonable cost. As shown on Schedule RevReq-3-6, the pro forma adjustment for property and liability insurances is an increase of $72,468 to test year O&M expense. This adjustment was made to adjust the property and liability insurance test year O&M expense to reflect known and measurable changes in premiums for the Company and for premiums allocable to the Company from Unitil Service. The premiums shown on Schedule RevReq Workpaper 5.3 include actual costs for 2021 insurance policies. The Company will provided actual costs for 2022 insurance policies when they become available during the course of this proceeding.

Q. Please describe how the Company takes reasonable measures to control property and liability insurance.

A. The Company evaluates its property and liability annually with the aid of its insurance broker to ensure the Company is able to secure the best available coverage at the best available rates. To balance the risk mitigation that insurance provides and the level of premium costs, an appropriate level of self-insurance deductible is negotiated with insurance carriers. Higher deductible levels result in lower insurance premiums while also resulting in a higher retention of risk of loss. The Company must manage the balance between risk exposure and deductible cost.

The Company employs a well-accepted process when procuring insurance programs. To get the optimal coverage at the best cost, the Company uses its broker to facilitate the process. The broker compiles market submissions and works with various insurance markets to solicit quotes for the Company. The broker monitors the insurance markets and provides information helpful to coordinate a reasonable renewal. The Company's broker also benchmarks our peers to see how our limits and retentions compare in the industry. If adjustments are needed, the benchmarking analysis provides support to senior management to support any changes. On a combined basis, these processes assist in assuring that the Company's property and liability insurance are as reasonable as possible.

7. DISTRIBUTION OPERATION CENTER EXPENSE

Q. Please explain the adjustment related to DOC expense.

A. This adjustment adds in estimated O&M expense at the Company's new Exeter DOC and removes the amount of expense in the test year related to the Company's Kensington DOC. The result is a reduction of DOC operating expense of $1,968 as shown in Schedule RevReq-3-7. These expenses relate to items such as heating, cooling, snow removal, and other miscellaneous administration and general expense. The Company will update the estimated Exeter DOC expense to 2021 actuals during the pendency of the case.

8. REGULATORY ASSESSMENT FEES

Q. Please explain the adjustment related to regulatory assessment fees.

A. Currently, the Company collects regulatory assessment fees in base rates, through its EDC mechanism and $10,000 through default service rates. The proposed adjustment shown in Schedule RevReq-3-8 moves all recovery, except for $10,000 recovered as part of default services rates, into base rates, with any incremental changes continuing to be recovered or refunded through the EDC mechanism. The adjustment increases expenses by $159,383 and is necessary to comply with the requirements in RSA 363-A:6,I. The adjustment does not reflect any additional impact to ratepayers or additional revenue to the Company. Rather, it merely moves recovery of the assessment from the EDC mechanism to base rates.

9. DUES & SUBSCRIPTIONS

Q. Please explain the adjustment related to dues and subscriptions.

A. The Company has reduced test year operating expense by $14,473 in Schedule RevReq-3-9 to remove the lobbying portion of the Company's annual membership dues to the Edison Electric Institute to comply with the requirements in RSA 378:30-e.

10. PANDEMIC COSTS

Q. Please explain the adjustment related to pandemic costs.

A. As shown in Schedule RevReq-3-10, this adjustment removes $39,857 of pandemic related costs that were charged during the 2020 test year. On a forward looking basis the Company believes that these costs were anomalous and should not be included for ratemaking purposes.

11. CLAIMS & LITIGATION

Q. Please explain the adjustment related to claims and litigation.

A. In December of 2019 the Company inadvertently charged $44,072 of expense to UES instead of its other affiliate Northern Utilities – Maine Division. A reclassification entry was made in January of 2020 to move the expense from UES to Northern Utilities – Maine Division. Test year operating expenses have been increased by $44,072 to remove the impact associated with this entry during the test year as shown on Schedule RevReq-3-11.

12. SEVERANCE EXPENSE

Q. Please explain the adjustment related to severance expense.

A. As reflected in Schedule RevReq-3-12, we have reduced test year severance expense by $40,395. The Company believes that severance expense is a periodically recurring expense but that the test year expense may not be a representative level. Therefore, the Company normalized test year expense to reflect a representative test year level to be recovered in rates, calculated as the average of the most recent five-year expense amounts.

13. DISTRIBUTION BAD DEBT

Q. Please explain the adjustment of test year distribution bad debt expense.

A. The calculation of this adjustment is shown in Schedule RevReq-3-13. This adjustment was developed by first calculating a bad debt rate based on 2019 delivery net write-offs divided by 2019 delivery billed revenue. We then multiplied the bad debt rate by test year delivery revenue including the revenue requirement from Schedule RevReq-1, which establishes an uncollectible revenues amount. The uncollectible revenues amount is compared to test year delivery write-offs to produce the pro forma adjustment of $134,563.

Q. Why did the Company choose to use 2019 delivery net write-offs and 2019 delivery billed revenue?

A. The Company is proposing to use the 2019 delivery net write off percent due to the disconnection moratorium that was issued beginning in March 2020 by the State of New Hampshire and ordered in Docket No. IR 20-089 because the level of write off activity in 2020 was not reflective of a normal year's level.

Q. How is the Company proposing to address the write off activity that will occur once the disconnection moratorium is lifted?

A. To ensure that the Company is recovering a representative level of bad debt expense in distribution rates, the Company is proposing to track the actual delivery write offs against the level in distribution rates and to recover the difference annually as part of the EDC. Due to the shut off moratorium, the Company does not expect actual write-offs to return to pre-pandemic levels for some time.

Q. Has the Commission issued an order allowing New Hampshire Utilities to recover incremental bad debt expense?

A. No, an order has not been issued but Docket IR No. 20-089 was opened to investigate the effects of the Covid-19 Emergency on utilities and customers. In this investigation the New Hampshire Public Utilities Commission Staff ("Staff") issued an Initial Recommendation on August 18, 2020 and a Revised Recommendation on November 13, 2020 that the utilities be allowed to recover incremental bad debt expense above the amount recovered in rates. The Staff's Initial Recommendation stated:

> The pandemic is an unprecedented and extraordinary event. However, because the pandemic is on-going with no certainty as to when it may end, it is not possible to reasonably assess the long-term financial impact the pandemic will have on the Utilities and their customers. Consequently, while the pandemic may be an extraordinary event, there is insufficient evidence at this time to determine what, if any, extraordinary treatment is warranted beyond that related to the severe impact the pandemic is expected to have on utility bad debt expense and lost revenue from waived fees.
>
> Given the Governor's and Commission's orders prohibiting utility disconnections, it is appropriate and reasonable to authorize the Utilities to use regulatory accounting for impacts associated with the prohibition on

> utility disconnections, waiver or exclusion of certain utility fees (i.e., late fees, convenience fees, deposits, and reconnection fees), and the use of expanded payment arrangements to aid customers, and resulting impacts on uncollectible, or bad debt, expenses. The waived fees and incremental bad debt (amounts in excess of the amounts used to set current rates) should be accounted for beginning March 31, 2020 (the date of the Commission Order).

IR 20-089, Staff Recommendation at 5 (Aug. 18, 2020)

Q. How is the Company proposing to recover the incremental bad debt expense that the Company has incurred beginning March 31, 2020?

A. Consistent with the bad debt tracker proposal above, the Company is proposing to track the actual bad debt expense to the amount currently in distribution rates and to recover or flow back the incremental difference through the EDC.

14. ARRERAGE MANAGEMENT PROGRAM IMPLEMENTATION

Q. Please explain the adjustment for Arrearage Management Program ("AMP") implementation.

A. The Company is proposing an AMP as part of the filing as provided in the prefiled testimony of Carole Beaulieu. The $459,000 amount shown on Schedule RevReq-3-14 is related to the estimated cost of a full time employee to be hired to run the program, and the annual program forgiveness costs.

Q. What happens if the program cost are greater or less than the $459,000 include for recovery in base distribution rates?

A. The Company is proposing to track the actual cost of the program and reconcile the cost annually against the $459,000 that is included in base distribution rates.

Any variance from the level in rates will be deferred and refunded or recovered as part of the following years EDC.

15. INFLATION ALLOWANCE

Q. Is the Company proposing an Inflation Allowance?

A. Yes, it is. We have calculated an inflation allowance to recognize the impact of inflation over time on the Company's expenses. The inflation adjustment recognizes that known inflationary pressures, not subject to the control of UES, tend to affect the Company's operating expenses in a manner that can be reasonably measured. The adjustment is limited to an allowance for those expenses that cannot be adjusted separately ("residual O&M Expense") and extends to the date that permanent rates go into effect.

Q. Please describe the adjustment for Inflation.

A. An inflation allowance has been applied to test year residual O&M Expenses, as shown on Schedule RevReq-3-15 Page 1. In order to determine the level of test year residual O&M Expenses, we reduced test year O&M Expenses by: (1) expenses that have been adjusted separately; and (2) expenses that are not subject to general inflation. The inflation adjustment on residual O&M is based on a cumulative inflation rate of 3.36 percent over a 21-month period, which represents the increase in the Gross Domestic Product Implicit Price Deflator ("GDPIPD") from the mid-point of the test year (July 1, 2020) to April 1, 2022 (date of permanent rates), as shown on Schedule RevReq-3-15 Page 2. We have also provided the published GDPIPD factors on a monthly basis from 2019 to the currently available end of year 2022 in Workpaper 6.1.

Q. What inflation allowance was calculated?

A. The calculation produces an inflation allowance of $128,368 as shown on Schedule RevReq-3-15 page 1, line 20.

III. DEPRECIATION EXPENSE

Q. Is UES proposing an annualization adjustment for depreciation for the test year?

A. Yes. We have applied the currently authorized depreciation rates to test year-end depreciable plant balances to derive the annualized Depreciation Expense. The annualization of depreciation expense based on the twelve months ended December 31, 2020 depreciable plant balance is detailed in Schedule RevReq-3-16 page 1. The annualization adjustment increases the depreciation expense by $908,712. This adjustment also reflects the pro forma rate base adjustments related to the Kensington and Exeter DOC's, which we will describe in further detail below.

Q. What depreciation rates did you use for the annualization adjustment?

A. The Company used the depreciation rates that were approved in the Company's last settlement agreement in Docket No. DE 16-384.

Q. Is the Company proposing an adjustment to depreciation expense for any proposed changes in depreciation rates?

A. Yes. The depreciation adjustment, detailed on Schedule RevReq-3-16 page 2, decreases the test year depreciation expense by $789,749. The new depreciation rates and reserve adjustment for amortization are presented in the prefiled testimony of Mr. Ned Allis.

IV. AMORTIZATION EXPENSE

Q. Have you made any adjustments to amortization expense for information technology or software projects?

A. Yes. We have made an adjustment to provide for an adequate level in the cost of service for information technology and software amortization expense based upon known and measurable changes through the end of 2021.

Q. Please describe the methodology you used for this adjustment.

A. As provided in Schedule RevReq-3-17, the Company projected rate year amortization based on projects currently in service and expected information technology projects to be put in service through the end of 2021. Then, the adjustment removes the amortization expense of any project expected to be fully amortized during 2021. The Company then compares the projected rate year amortization versus the test year for an increase of $238,591. The Company will update this adjustment during the course of the proceeding for actual information technology projects to be put in service through the end of 2021.

V. EXCESS ACCUMULATED DEFERRED INCOME TAXES ("ADIT")

Q. Please explain the Excess ADIT adjustment.

A. As described further in the Testimony of Jonathan A. Giegerich, the Company is proposing to begin flowing back Excess ADIT to ratepayers. The Excess ADIT flowback included in the revenue requirement calculation is $999,795, as shown in ScheduleRevReq-3-18. The detailed calculation of the Excess ADIT flowback has been included as Exhibit JAG-6, Page 1 of 1, column d, line 4.

VI. TAXES OTHER THAN INCOME

1.PROPERTY TAXES

Q. Has the Company adjusted the test year property tax expense?

A. Yes. The adjustment is detailed on Schedule RevReq-3-19 and amounts to an estimated increase in property tax expense of $744,985. This schedule presents information related to property taxes including taxation period, local tax rate, assessed valuations, and taxes paid based on final 2020 tax bills by municipality. The adjustment also includes pro forma adjustments to increase property taxes for the new Exeter DOC as well as the removal of property taxes related to the Kensington DOC.

Q. Will this adjustment be updated?

A. Yes. This adjustment will be updated during the pendency of this proceeding to reflect the final 2021 tax bills. Typically, the second billing installments are received in October and November, with payments due in November and December.

Q. Were there property tax abatements received during the test year?

A. Yes, the test year reflects on line 39 of Schedule RevReq-3-19 an amount of $38,265 related to property tax abatements received in 2020 for prior years, which do not impact the Company's current year's taxes and thus need to be removed.

Q. Have any other adjustments been made to test year property taxes?

A. Yes. Test year property taxes on line 38 of Schedule RevReq-3-19 have been reduced by $12,231 to remove an inadvertent accrual adjustment entry related to 2019.

Q. How is the Company planning to address the future changes in property taxes that will occur related to HB 700?

A. As described in greater detail below is Section IV, the Company is proposing to track and recover the increase in local property taxes as part of the EDC.

2. PAYROLL TAXES

Q. Have test year payroll taxes been adjusted to account for pro forma payroll increases?

A. Yes, as shown on Schedule RevReq-3-20 P1, an adjustment of $54,278 was prepared to pro form the amount of UES's and Unitil Service's portion of the Social Security and Medicare taxes related to the adjustment to the payroll adjustment described above. The adjustment is supported and presented in the prefiled testimony of Mr. John Closson and Mr. Joseph Conneely.

Q. Have test year payroll taxes been adjusted for employee retention and other pandemic payroll tax relief credits?

A. Yes, as shown on Schedule RevReq-3-20 P2, an adjustment of $106,244 was prepared to remove the reduction to test year payroll taxes as a result of the Company's use of employee retention and other pandemic payroll tax relief credits. The adjustment is supported and presented in the prefiled testimony of Mr. Jonathan Giegerich.

VII. INCOME TAXES

Q. Does the cost of service reflect adjustments to test year income taxes to reflect pro forma changes?

A. Yes. The adjustment is summarized on Schedule RevReq-3-21, pages 1-2. The adjustment to test year income taxes calculates the income tax effect of the adjustments to expenses previously described in our testimony and as listed in the Summary of Adjustments in Schedule RevReq-3. The adjustment also reflects the income tax effect of the adjustment for interest expense synchronization with rate base, based on the difference between interest expense for ratemaking and test year interest expense, which is shown on Schedule RevReq-3-21, page 2.

Q. Please explain the adjustments for prior year federal and state income taxes as shown in Schedule RevReq-3-21, page 4.

A. As part of its normal tax accounting practice, the Company accounts for prior years return to accrual in its current year tax provision. The adjustment in Schedule RevReq-3-21 page 4 removes the prior year return to accrual and other prior year tax adjustments so that the adjusted cost of service reflects current year income taxes only.

VIII. RATE BASE

Q. Have you provided the balance sheets for UES?

A. Yes, we have provided Assets & Deferred Charges and Stockholder's Equity and Liabilities in Filing Requirements Schedule 2 and 2a, Page 6 & 7, respectively.

Q. Please summarize the information you have provided to support the rate base used to determine UES's revenue requirements.

A. Schedule RevReq-4 summarizes the rate base. The summary includes several calculation methodologies, including the "Test Year Average" (arithmetic average of the beginning and end of test period amounts) of $206.5 million, the "5 Quarter Average" of $197.8 million, the "Rate Base at December 31, 2020" of $223.5 million, and the "Pro Forma Rate Base at December 31, 2020" of $226.0 million. The pro forma rate base at December 31, 2020, was used to determine UES's revenue requirement.

Q. What did you consider in selecting a year-end rate base?

A. Utility Plant in Service consistently increases quarter-over-quarter. Thus, a year-end rate base is appropriate for UES given the significant annual growth in the primary component of its rate base, Utility Plant. As described in greater detail in the prefiled testimony of Mr. Robert Hevert, UES is a capital intensive Company, and without the timely recovery on those investments revenue will not be sufficient to cover incremental costs, which leads to earnings attrition. A year-end rate base reduces earnings attrition, because it aligns expenses, revenues and rate base with the period in which rates are going to be in effect. Finally, the year-end rate base was utilized in the Company's last two base distribution rate cases in Docket DE 10-055 and Docket DE 16-384, and we believe it is appropriate to continue this practice.

Q. Since the Company's last base rate proceeding, has UES added utility plant to its operations?

A. Yes. Pro Forma Distribution Utility Plant in Service has grown from $283,122,968 in pro forma 2015 (the Company's most recent rate case test year) to $407,914,123 in pro forma 2020 (a 44.1 percent increase). Adjusting these amounts by the 2015 and 2020 Reserves for Depreciation and Amortization, Net Utility Plant has grown from $184,142,932 in pro forma 2015 to $269,855,036 in pro forma 2020 (a 46.5 percent increase). Refer to Docket No. 16-384 Settlement Agreement, Attachment 1, Page 1 of 5 for pro forma 2015 information and Schedule RevReq-4, column 7 for pro forma 2020 information.

Q. Please describe the component of rate base information on Schedule RevReq-4-1.

A. Schedule RevReq-4-1 presents the balance of rate base items for each of the 5 quarters beginning with the balance at December 31, 2019 and ending with the balance at December 31, 2020. In the last column, the 5-Quarter Average is calculated.

Q. Please describe the cash working capital component of rate base information on Schedule RevReq-4-2.

A. The calculation of cash working capital in rate base is detailed in this schedule. The calculation consists of a 32.17 day lead-lag factor applied to test year distribution operating expenses. This lead-lag factor is based on the Company's lead-lag study as presented in the prefiled testimony of Mr. Daniel Hurstak. UES proposes to include $3,350,303 of cash working capital in Base Distribution rate base.

Q. What is cash working capital?

A. As described in greater detail in the prefiled testimony of Mr. Daniel Hurstak, cash working capital is the amount of capital expended and required by UES to fund its day-to-day operations. In other words, cash working capital represents funds expended by the Company to provide service prior to the payment for such service by UES's customers. Pursuant to Commission precedent, cash working capital is an addition to UES's rate base.

Q. Please list the other components added to rate base.

A. In addition to Net Utility Plant in Service and Cash Working Capital described above, Materials and Supplies Inventories, Prepayments and Deferred Tax Debits, have all been added to rate base. These items are shown on Schedule RevReq-4 and RevReq 4-1.

Q. Please list the components deducted from rate base.

A. These items consist of Net Deferred Income Taxes, Excess Deferred Income Taxes, Customer Deposits, and Customer Advances and are also shown on Schedule RevReq-4 and 4-1.

Q. Has the Company revalued all ADIT as of December 31, 2017 to reflect a 21 percent federal tax rate as a part of Tax Cuts and Jobs Act of 2017 ("TCJA")?

A. Yes. As discussed further in the prefiled testimony of Mr. Jonathan Giegerich, the most significant corporate effect of the TCJA is reducing the top federal corporate tax rate from 35 percent to 21 percent, which caused the Company to revalue all ADIT balances as of December 31, 2017. The corresponding entry to reduce net ADIT Liabilities was recorded as a Regulatory Liability according to Federal Energy Regulatory Commission ("FERC") guidance, Docket No. AI93-5-000. According to FERC guidance, once a utility's ADIT are no longer owed to the government under the new rates, and the ADIT balance represents amounts previously collected from customers in utility rates, the Liability for excess ADIT no longer exists and, instead, a Regulatory Liability for the amounts to be returned to customers exists and will be properly classified that way in the FERC chart of accounts, Docket No. AI93-5-000.

Q. Please describe how the Company calculated excess ADIT as of December 31, 2017.

A. The Company scheduled out into future periods the timing of the turning of its ADIT balances and reconciled all of its ADIT underlying book/tax temporary differences as of December 31, 2017. Once the underlying book/tax temporary differences were reconciled, the Company adjusted, or "revalued," the federal ADIT accounts at the new federal corporate tax rate. A net Regulatory Liability in the amount of $16,601,346 was recognized to be returned to customers in future rates and is shown in Schedule RevReq-4 and Schedule RevReq-4-1. As described later in our testimony, the Company has included an adjustment that reduces the December 31, 2020 net Excess ADIT balance by $1,928,356. This results in a pro forma Excess ADIT balance as of $14,672,991 as shown on Schedule RevReq-4, Column 7, Line 9.

Q. Please explain Schedule RevReq-4-3, which contains an adjustment to Utility Plant in Service and Net Deferred Income Taxes related to the Company's Kensington, NH DOC.

A. The Company has included a reduction to Utility Plant in Service of $988,214, as shown on Schedule RevReq-4-3, Column 2, Line 4, to account for the Company's DOC in Kensington, New Hampshire. As discussed in greater detail in the prefiled testimony of Mr. John Closson, the process to sell the Kensington facility and property is underway, thus the net book value associated with the building should be excluded from the Company's rate base for ratemaking purposes. The rate base reduction is offset by the appropriate amount of deferred taxes as shown on Schedule RevReq-4-3, Column 2, Line 6.

Q. Please explain Schedule RevReq-4-4, which contains an adjustment to Utility Plant in Service related to the Company's new DOC in Exeter, NH.

A. The Company has included an increase to Utility Plant in Service of $577,144, as shown on Schedule RevReq-4-4, Column 2, Line 5, to account for the carry-over work closed to Plant in Service during the two months ended February 28, 2021 related to the new Exeter DOC. As discussed later in our testimony, the Company has excluded the forecasted 2021 capital additions from the proposed 2021 Rate Plan. The Company intends to exclude the additions placed into service during the first two months of 2021 related to the new Exeter DOC in its first step adjustment for recovery of additions placed into service during investment year 2021.

Q. Please explain Schedule RevReq-4-5, which contains an adjustment to Excess ADIT.

A. The Company has included a reduction to the Excess ADIT of $1,928,356 on Schedule RevReq-4-4, Column 2, Line 6. As of December 31, 2020 the Company's Major Storm Cost Reserve ("MSCR") had an under-collected balance of $3,275,423. This balance has been relatively constant since the Company's last rate case in DE 16-384. The Company is proposing to flow back the annual Excess ADIT for calendar years 2018-2020 of $2,644,590 to reduce the year-end 2020 MSCR under-recovered balance to $630,833. This allows the Company to significantly reduce the MSCR under-collected balance without increasing rates for customers. The Excess ADIT reduction is offset by the appropriate amount of deferred taxes for a net reduction to Excess ADIT of $1,928,356.

Q. Is the Company proposing to adjust the current level of MSCR Funding in rates?

A. Not at this time. Based on the review of the last 5 years of storm cost, not including the costs for storm that were recovered as part of the Storm Recovery Adjustment Factor ("SRAF"), the Company has determined that current annual recovery amount of $800,000 is a representative level.

IX. RATE OF RETURN

Q. What rate of return have you used for ratemaking purposes?

A. As shown on Schedule RevReq-5, UES's weighted cost of capital is calculated to be 7.88 percent. As described in the prefiled testimony of Mr. Todd Diggins, this is derived from the Company's capital structure and related costs for various capital components and represents the required rate of return on rate base used in the determination of the Company's revenue requirement.

Q. Please summarize the total rate of return.

A. The Company's weighted cost of capital is 7.88 percent, as shown on Schedule RevReq-5. We have applied this weighted cost of capital to the rate base of $226,030,082, shown on Schedule RevReq-1, to calculate the return on the rate base. The result is a total required return on rate base of $17,811,170 as shown on Schedule RevReq-1, line 3.

IV. 2021 RATE PLAN

Q. Are you proposing a rate plan in this filing?

A. Yes, the Company is proposing a multi-year rate plan with annual step adjustments to recover the revenue requirement of capital additions to rate base. The proposed 2021 Rate Plan is substantially similar to the plan that was established in Docket DE 16-381 (the "2016 Rate Plan"). The 2021 Rate Plan is outlined in detail in Schedule CGDN-1.

Q. What additions to plant will be eligible for recovery?

A. The plan will encompass three annual step adjustments to recover the revenue requirement. The step adjustments would take place in April of 2022, 2023 and 2024 for investment years 2021, 2022, and 2023. Each step adjustment compliance filing would be made with the Commission on or before the last day of January for the prior year's additions. Then, the resulting rate changes would go into effect April 1. For example, the filing for investment year 2021 additions would be filed with the Commission by January 30, 2022 with rates going into effect April 1, 2022, coinciding with the permanent rates from this proceeding. For investment year 1 (2021 additions), the new Exeter DOC plant additions through February 28, 2021 would be excluded from the 2021 Rate Plan, because the Company is requesting this as a proforma adjustment to rate base in the 2020 revenue requirement calculation with recovery starting in temporary rates effective June 1, 2021.

Q. Have you prepared a schedule to demonstrate the calculation of the Company's proposed 2021 Rate Plan?

A. Yes, we have prepared Schedule CGDN-2 Pages 1-3 for that purpose. The schedule is based on the Company's capital budget presented by Mr. Sprague. The schedule is for illustrative purposes, since actual plant additions will vary from the long-term forecast of the annual capital spending budget. Nevertheless, the schedule illustrates the express mechanics of the revenue requirement calculation.

Q. Please describe the derivation of Net Utility Plant on page 1 of Schedule CGDN-2.

A. Page 1 of Schedule CGDN-2 shows Beginning Utility Plant, Plant Additions, and Ending Utility Plant on lines 1-3. Beginning Utility Plant in 2021 corresponds to Schedule RevReq-4 pro forma rate base and includes a portion of the 2021 new Exeter DOC additions. Plant Additions are based on the capital budget, less new Exeter DOC additions through February 28, 2021, since those additions have been included in rate base in this proceeding. Ending Utility Plant is the sum of Beginning Utility Plant and Plant Additions. Then, lines 4-6 show Beginning Accumulated Depreciation, Depreciation Expense, and Ending Accumulated Depreciation. The difference between Ending Utility Plant and Ending Accumulated Depreciation results in Ending Net Utility Plant shown on line 7.

While Schedule CGDN-2 formulaically derives Net Utility Plant based on the capital budget provided in this proceeding, the intent of the Company is to source Net Utility Plant from its plant accounting records on an annual basis.

Q. Please describe the derivation of Revenue Requirement on page 1 of Schedule CGDN-2.

A. Once Net Utility Plant is sourced from the Company's plant accounting records, the annual Change in Net Plant would be calculated as the difference in Ending Net Utility Plant from the current period less the prior period as shown in line 8. Next, line 9 calculates the non-growth percent in Net Plant, which is the ratio of non-growth capital additions to total capital additions as derived by Mr. Kevin Sprague in his prefiled testimony. Then, line 10 is multiplied by line 11, pre-tax rate of return, to derive the Return and Taxes on line 12. Next, Depreciation Expense is calculated on the non-growth percent of Plant Additions (line 2). A composite depreciation rate of 3.36 percent will be used which corresponds to the Company's annualized depreciation rate, which was calculated by taking Line 36 Column 9 divided by Line 36 Column 7 from Schedule RevReq-3-16, Page 2. Then, Property Taxes are calculated on the non-growth Change in Net Plant (line 9). A composite property tax rate of 2.74 percent was used which was calculated by taking Line 36 Column 5 from Schedule RevReq-3-19 divided by Line 3 Column 5 from Schedule RevReq-4. The Company would update this rate annually based on the latest property tax rates. Finally, Return and Taxes, Depreciation Expense and Property Taxes are added together to arrive at the Revenue Requirement.

Q. What schedules support Schedule CGDN-2, Page 1?

A. Schedule CGDN-2, Page 2 presents the capital budget by year as well as depreciation by vintage that is used for calculating Accumulated Depreciation in Page 1 for illustrative purposes. Again, actual plant accounting records will be used in calculating Accumulated Depreciation to arrive at Net Utility Plant. Schedule CGDN-2, Page 3 shows the calculation of the pre-tax rate of return.

Q. How does the Company intend to incorporate the impact of New Hampshire House Bill ("HB") 700?

A. HB 700 established a methodology for valuing utility distribution assets for property tax purposes, codified as RSA 72:8-d and –e. The law established a new methodology for assessing utility property taxes, and a five-year phase-in period to fully transition to that new methodology. The first property tax year of the phase-in period is the tax year beginning April 1, 2020. The law also requires the Commission to establish by order a rate recovery mechanism for the property taxes paid by a public utility. The Company has recently made a filing in Docket No. DE 21-069 on March 29, 2020. Consistent with RSA 72:8-d and -e, property tax over- or under-recoveries as compared to the amount in base distribution rates shall be adjusted annually through the Company's EDC on August 1 of each year. The amount included in base distribution rates for property tax expense shall be

$7,771,772[1] based on property tax expense as of December 2021, as described above, normalized to exclude any credits related to property tax settlement proceeds for tax years preceding the test year. This amount would be updated annually as a part of the Company's EDC filing for the inclusion of property tax expenses to be recovered through the Company's 2021 Rate Plan. On an annual basis, actual property tax expense for the prior calendar year shall be compared against the amount in base rates and any variances will be reconciled through the EDC mechanism. Annual actual property tax expense shall be normalized to adjust for any credits received due to abatement settlement proceeds received for tax years preceding the test year. As proposed in Docket No. DE 21-069, the EDC shall recover any over- or under- recoveries beginning on August 1 of each year.

Q. Can you summarize the revenue requirement results for the proposed 2021 Rate Plan?

A. The revenue requirement that will be derived from the step adjustments ranges from $2.75 million (in investment year 2021) to $3.58 million (in investment year 2022) depending on the level of plant investments in a given forecast year. The step adjustments represent 1.7 percent to 2.3 percent of test year operating revenue. Again, these revenue requirement results are forecasts based on the Company's capital budget. Actual plant additions will vary from this forecast.

[1] Amount will be updated during the pendency of this proceeding to reflect the final 2021 tax bills.

Q. Would vegetation management and reliability enhancement O&M expenses continue to be reconciled?

A. Yes. The Company would continue to file annual compliance reports, and would continue to reconcile actual vegetation management and reliability enhancement O&M expenses to test year costs in the Company's EDC mechanism. With approval of the Commission, the Company may credit unspent amounts to future vegetation management program O&M expenditures.

Q. What is the amount of vegetation management and reliability enhancement O&M expenses embedded in the test year?

A. The amount of vegetation management and reliability enhancement O&M expenses embedded in the proforma test year is $6,265,166. Thus, the Company proposes to reconcile annually in the EDC mechanism the combined actual vegetation management and reliability enhancement spending to the combined test year expense of $6,265,166. The Company's request to recover vegetation management costs is not reduced by third party reimbursement related to the shared vegetation management costs for jointly-owned poles. As described in the prefiled testimony of Ms. Sara Sankowich, the Company's request to recover vegetation management costs is not reduced for these amounts because payment by the joint owners is not guaranteed nor always timely, and the integrity of the VMP should not be dependent upon the occurrence of these payments.

Q. How is the Company proposing to treat the contributions received from joint pole owners towards trimming expenses?

A. Any payment received from a joint pole owner will be credited to customers through the Company's EDC in the same manner that it is currently be credited to customers today.

Q. Are there consumer protections included in the 2021 Rate Plan?

A. Yes, as described earlier, the Company would submit an annual compliance filing subject to Commission review and approval. As outlined in Schedule CGDN-1, the Company proposes a limitation on the annual increase in revenues associated with the annual rate adjustments to 2.5 percent of total revenue, with revenue for externally supplied customers being adjusted by imputing the Company's default service charges for that period. Any part of the rate adjustment that exceeds 2.5 percent would be deferred for future recovery at the Company's cost of capital. The Company would also commit to a base rate case stay-out through 2024, subject to certain exogenous factors and considerations. The Company proposes an ROE collar which would allow the Company to file a base rate case before 2024 if ROE was under 7 percent, but provides for earnings sharing of 50 percent if ROE is greater than 11 percent. In addition, as with the 2016 Rate Plan, the 2021 Rate Plan includes features for exogenous events and excessive inflation.

V. TEMPORARY RATES

Q. Is the Company requesting that temporary rates be set in this proceeding?

A. Yes. The Company requests that temporary rates be established in the amount of $5,812,761 ($0.00501 per kWh) on an annualized basis to become effective on

June 1, 2021. The development of the temporary rate amount is detailed in Schedule CGDN-3.

Q. Please explain how the temporary rate amount of $5,812,761 ($0.00501 per kWh) was derived?

A. In general, we employed a conservative approach in calculating the amount of the temporary rate request. The amount of the temporary rate request was based on 2020 test year-end rate base with only one pro forma adjustment which keeps the lost base revenue recovery through the Company's SBC until the time permanent rates become effective as discussed in greater detail above. No other known and measurable adjustments relating to future costs are requested in the temporary rate increase. The cost of capital used in the calculation is based on the rate case filing capital structure and debt costs as provided in Schedule RevReq-5. However, the cost of equity was set lower at 9.50 percent reflecting the last authorized return on equity awarded to the Company in its last base rate case. As shown in page 2 of Schedule-CGDN-3, this results in an overall cost of capital of 7.61 percent.

Q. How does the Company account for and collect the difference between temporary rates and permanent rates once the Commission issues its order for permanent rates?

A. After the Commission issues its order in this case, the Company will submit a filing to collect the difference in revenue (or "recoupment") between temporary and permanent rates from the date temporary rates went into effect to the date permanent rates became effective. The recoupment surcharge will be a charge per kilowatt-hour, applied to all rate schedules, excluding electric vehicles rate classes. The Company expects to combine its recoupment with its rate case expenses which are explained in Section VIII.

VI. OTHER REGULATORY PROPOSALS AND CONSIDERATIONS

Q. What other proposals and considerations is the Company making?

A. The Company is requesting recovery of the first three items as part of the EDC, the fourth item be examined as part of a multi utility proceeding and the fifth item to be monitored during the pendency of the docket:

1. Waived Late Payment Charge Revenues for the period April 2020 through March 2021
2. Deferred Calypso Storm Costs
3. Incremental Wheeling Revenues
4. AHPA
5. Impact of RiverWoods Master Meter Plan (Docket No. DE 19-114)

We will discuss each adjustment individually in the following section.

1. WAIVED LATE PAYMENT CHARGES

Q. How has the Company been impacted by the New Hampshire emergency order prohibiting utility disconnections and application of utility late payment fees?

A. Yes, as a result of the shut off and late fee prohibition, UES was not able to apply late fees to customer’s accounts beginning in March of 2020. For the calendar year 2020, the Company charged $94,600 in late payment fees to customers which is well below the amount that was included when distribution rates were last set in Docket No. DE 16-384 and what the actual amount of late payment fees the Company would have charged to customers if the late payment fee prohibition was not in place.

Q. In Docket No. DE 16-384, what level of late payment charge revenues was included in the Company's distribution rates?

A. The level of late payment charge revenue included in the revenue requirement approved via settlement in that docket was $481,633. This amount was equal to the actual late payment charge revenues for 2015.

Q. How much late payment fees did the Company waive in 2020?

A. UES waived $444,121 of late payment fees for the 9 month period of April through December 2020 and is forecasted to waive approximately $583,000 of late payment fees for the 12 months ended March 31, 2021. Table 2 below provides a summary of the actual waived late fees waived by month for both time periods.

Table 2: Late Payment Fee Summary

Late Payment Charge ("LPC") Revenues
Unitil Energy Systems, Inc.

LPC Revenues	Docket No. DE 16-384 2015 (TY)	2020	Moratorium Period 2020	Moratorium Period 2020/2021	Comment
January	$ 32,521	$ 34,969			Charged - Actual
February	37,525	42,810			Charged - Actual
March*	67,162	16,898			Charged - Actual
April	36,974		$ 38,408	$ 38,408	Waived - Actual
May	53,102		50,008	50,008	Waived - Actual
June	51,970		50,302	50,302	Waived - Actual
July	30,390		49,107	49,107	Waived - Actual
August	39,352		60,052	60,052	Waived - Actual
September	36,271		52,415	52,415	Waived - Actual
October	31,310		58,729	58,729	Waived - Actual
November	33,997		47,201	47,201	Waived - Actual
December	31,059		37,900	37,900	Waived - Actual
January				42,430	Waived - Actual
February				46,621	Waived - Actual
March				*50,000*	Waived - Forecasted
Total LPC Revenues	$ 481,633	$ 94,676	$ 444,121	$ 583,173	

*Moratorium began in March 2020

Q. Is the $444,121 of waived late payment fees material to UES?

A. Yes, the amount is material to UES. For 2020, this amount represents roughly 4 percent of the Distribution Operating Income and 0.75 percent of the 2020 Test Year distribution revenues.

Q. What is the Company proposing related to recovery of the $444,121 of 2020 waived late payment fees?

A. For the 12 months ended December 31, 2020, the Company is proposing to recover $386,957, which is the difference between the actual late payment charge fees charged to customers in 2020 of $94,676 and the $481,633 amount included in rates in Docket No. DE 16-384. This amount is lower than the actual waived late payment fees amount of $444,121. The Company would propose that the $386,957 be recovered as part of the EDC.

Q. What is the Company proposing related to recovery of the waived late payment fees for 2021?

A. The Company is also proposing to recover the actual amount of waived payment fees as part of the EDC.

2. DEFERRED CALYPSO STORM COSTS

Q. Please provide a background summary of the deferred Calypso storm costs.

A. In docket DE 18-038, a dispute arose between the Company and the Commission's Audit Staff ("Audit") concerning the request for recovery of certain charges for the services of Calypso Communications in the Company's 2017 Annual Major Storm Cost Reserve Fund Report. Audit recommended removal of the charges from the MSCR, and the Commission adopted the recommendation. The Company requested rehearing and implementation of an adjudicative process. The dispute was resolved in a settlement agreement between the Staff and the Company, whereby the Company agreed to withdraw its request for rehearing and implementation of an adjudicatory process, and not seek any further proceeding in docket DE 18-038. The withdrawal was to be without prejudice to UES to request recovery of the disputed amount in its next filing seeking an increase in base rates. The Commission approved the settlement agreement in a Secretarial Letter Order issued on July 3, 2019. Since that time, similar issues of recovery of charges for Calypso Communications has arisen in subsequent annual MSCR filings (DE 19-040 and DE 20-043), and each time the Staff and the Company agreed that the request for recovery would be withdrawn without prejudice and would be resolved in the Company's next base rate proceeding.

Q. Please describe the nature of the charges from Calypso Communications.

A. The charges from Calypso Communications represent activities which are part of the Company's formal Emergency Response Plan ("ERP"), which has been submitted to the Commission on an annual basis in accordance with Rule Puc 306.09. The ERP, which (as required by Rule Puc 306.09(b)) utilizes the National Incident Management System (NIMS), has established the role of Chief Information Officer (CIO), reporting directly to the Incident Commander (IC). Information relative to storm/emergency preparation, customer interruptions, resource acquisitions, damage assessment, and restoration progress are to be managed by the communication protocols established under ICS and fashioned by the CIO team headed by the CIO.

Q. What are these activities for?

A. They represent tasks incurred to help the Company communicate timely and accurate information about restoration efforts regularly, consistently, and as widely as possible, and the product they produce provides evidence for cost recovery purposes. The Company's Communications team is responsible for keeping customers, media, local elected officials, local municipal officials and employees informed on safety issues, storm preparation and the status of restoration efforts during emergency conditions, such as storm events. It is critically important that timely and accurate information about restoration efforts be communicated as widely as possible. It is equally important that the Company communicate regularly prior to and throughout an emergency event and share information to ensure a consistent message is provided both internally and externally. It is also imperative that the Company fully document storm events as evidence for cost recovery purposes.

Q. Do the Calypso staff members undergo any training?

A. Yes. Unitil Service and Calypso have agreed to an emergency support protocol that is outside of any non-storm business retainers or project fees. This support is based on hours worked for storm preparation and response. Calypso Communications employees are trained throughout the year for specific storm roles and participate in all Unitil System-wide Annual Electric Drills to ensure they are prepared to respond to any and all emergency events at the same level as a Unitil Communications team member.

Q. Why can't these functions be performed by internal staff from the Company or Unitil Service?

A. Unitil Service's non-emergency Communications staff consists of eight full-time employees who are all part of the CIO team during emergency events. However, during emergency events the Media, Employee and Digital Communications section of the CIO expands to include contracted communications support, specifically from Calypso Communications. It is critical that the CIO team communications support have experience and skill in specific communications functions such as media and digital communications. Calypso Communications' staff members are given assignments as members of the CIO team, which allow for all CIO Communications storm roles to be staffed for the duration of an event in two shifts. Calypso staff members have assisted with pre-storm preparation and communication by participating in all pre-storm conference calls as part of our CIO team protocols and Calypso team members staffed shifts during the storm responses covering media relations support, social media support and web/photo/video support. The internal Unitil Communications team, or other internal staff who are responsible for various other critical functions during emergency operations, would not be able to cover all roles and shifts during an emergency event without the additional support provided by trained Calypso staff.

Q. What is the Company proposing related to recovery of the deferred Calypso storm costs?

A. The Company is proposing to recover the deferred Calypso storm costs through its EDC over a one year period.

Q. What is the Company's proposal regarding the treatment of future storm-related Calypso costs?

A. The Company proposes that these costs, as they are based solely on hours worked for storm preparation and response, should be allowed to be recovered through the MSCR, which is specifically designed "to recover costs associated with responding to and recovering from qualifying major storms." (Settlement Agreement, DE 10-055 at paragraph 8.1)

3. INCREMENTAL WHEELING REVENUES

Q. Has the Company included wheeling revenues in the calculation of the overall revenue requirement?

A. Yes, the test year other operating revenues reflect $49,952 of wheeling revenues primarily associated with a legacy wheeling agreement that is ending on April 20, 2021.

Q. What services are provided by UES that generate wheeling revenues?

A. Wheeling fees are charged to generators for the transfer of power across UES's distribution system to compensate customers for the use of the system. Under the legacy wheeling agreement that will terminate on April 20, 2021, the generator has paid UES a FERC-approved, mutually agreed-upon rate during the contract term for wheeling services.

Q. What will happen once the wheeling agreement terminates?

A. Upon termination of the wheeling agreement, the outside generator will have the option to sell power as a Qualified Facility pursuant to UES's tariff (Schedule QF) and Federal Public Utility Regulatory Policies Act (PURPA) Section 210 or continue to transfer power across UES's distribution system to a third party or parties pursuant to a FERC-approved wheeling rate. The Company is in the process of finalizing a filing that will be submitted to FERC proposing

Distribution wheeling rates that will be available to generators seeking to wheel power across the UES distribution system.

Q. What is the Company proposing related to wheeling revenues?

A. Due to the uncertainty related to whether the wheeling revenues will increase or decrease in the future, the Company is proposing to annually reconcile the actual wheeling revenues included in the test year of $49,952 compared to the actual wheeling revenues for the calendar year and refund or collect the difference through the subsequent year's EDC. This will ensure that customers receive the full value associated with generators utilizing the system for wheeling power. If the proposal to track increases in the wheeling revenues as part of the EDC is not accepted, then a proforma adjustment to remove the $49,952 of wheeling revenues from the revenue requirement would be required to reflect the ending of the wheeling agreement on April 20, 2021.

4. ACTIVE HARDSHIP PROTECTED ACCOUNTS

Q. Please define the phrase "Active Hardship Protected Accounts" and "Active Hardship Protected Receivables."

A. Active Hardship Protected Accounts are residential service accounts that, in accordance with the New Hampshire Code of Administrative Rules, Chapter Puc 1200, are protected from disconnection by the utility for non-payment under the hardship provisions of Part 1205 Medical Emergency Rules. Active Hardship Protected Receivables are receivable balances owed to the Company by Active Hardship Protected Accounts. Since the Company's last rate case, the Company has continue to see a substantial increase in both the number of customers and the past due accounts receivable balances of customers protected from disconnection under the Medical Emergency Rules.

Q. Please describe the hardship protections available to the Company's customers under Part Puc 1205.

A. Part Puc 1205 protects residential customers who have a medical emergency (as defined in Puc 1202.12) from having their service disconnected. Specifically, a utility may not disconnect service to a customer who has provided current verification of a medical emergency and is complying with a payment arrangement. Puc 1205.03(a). However, if a customer does not enter into or comply with the terms of a payment arrangement consistent with Commission rules, a utility may request permission to disconnect service to the customer. Puc 1205.03(b). The process for seeking disconnection requires, among other things, that the customer be given concurrent written notice and an opportunity to respond to the utility's request. Puc 1205.03(c).

Q. What did the Company propose in its last rate case in Docket No. DE 16-384 related to an AHPA?

A. In Docket No. DE 16-384, the Company submitted a proposal to recover the costs of its past due and uncollectible hardship receivables. Specifically, the Company proposed to recover costs of writing down AHPA, while maintaining the amounts for credit and collection purposes. AHPA receivables result from customers that are in special circumstances which require specific credit and collection and cost recovery policies, which protect these customers from having their service disconnected and their receivables written off and recovered through normal bad debt expense. The Company's proposal allowed for the recovery of uncollectible AHPA receivables.

Q. Was the Company's AHPA proposal approved in Docket No. DE 16-384?

A. The rate case resulted in a settlement with the NHPUC Staff, OCA and the Company. The AHPA was not implemented as part of the settlement agreement, but was addressed in Section 7.5 of the approved settlement.

Q. How was the AHPA proposal addressed in the settlement?

A. The AHPA was addressed in Section 7.5 of the Settlement Agreement, which stated:

> The Settling Parties agree that Unitil shall withdraw, without prejudice, its proposal to recover the bad debt expense for uncollectible accounts receivable due from its Active Hardship Protected Accounts (AHPA). In this proceeding, Unitil had proposed to recover AHPA bad debt expense through the amortization, over a five year period, of a regulatory asset established based on the over-360 days past due balance of AHPA at December 31, 2015, in order to write these balances off for accounting purposes while maintaining the balances as due and payable for customer billing and credit and collection purposes. Unitil also committed to tracking and reporting to the Commission the activity of the AHPA balances during the five year period. Staff testified that the continued increase in the number of residential accounts and the accounts receivable balances of those accounts which are protected through the Medical Emergency procedures in Puc 1205, which do allow utilities a process to disconnect service to customers in non-life threatening situations, is an issue which affects all utilities in New Hampshire. Accordingly, rather than addressing this issue on an individual utility case-by-basis, the Settling Parties hereby recommend that the Commission open a generic proceeding to develop a common approach to this issue, within six months of the approval of this Settlement. The Settling Parties acknowledge that if no generic proceeding takes place, Unitil will again propose recovery of

its over-360 day past due AHPA bad debt expense in its next base rate proceeding.

Q. Was a generic proceeding opened?

A. No, a proceeding was not opened.

Q. Do the Active Hardship Accounts continue to be a concern for the Company?

A. Yes. As can be seen in Table 3 below, although the year over year growth of the protected receivables has slowed since the last rate case, they have increased by 67 percent since the 2015 Test Year in the last rate case.

Table 3: Active Hardship Protected Accounts

Line No.	Dec. 31,	Total A/R	Under 120 Days	120-360 Days	Over 360 Days		Over 360 Annual Increase	Over 360 % Increase	# Customers Over 360 Days
		(a)	(b)	(c)	(d)		(e)	(f)	(g)
1	**2011**	$ 617,596	$138,684	$191,520	$ 287,392				127
2	**2012**	884,779	177,152	246,539	461,088		$ 173,696	60%	175
3	**2013**	1,052,022	181,412	239,771	630,839		169,751	37%	194
4	**2014**	1,393,560	248,098	345,916	799,546		168,707	27%	211
5	**2015**	1,682,347	238,583	518,681	925,083	(1)	125,537	16%	230
6	**2016**	1,615,747	211,721	380,698	1,023,328		98,245	11%	230
7	**2017**	1,646,651	141,522	370,778	1,134,351		111,022	11%	226
8	**2018**	2,187,768	241,197	560,276	1,386,295		251,944	22%	300
9	**2019**	2,294,182	216,909	603,603	1,473,670		87,375	6%	316
10	**2020**	2,226,464	184,821	495,001	1,546,642	(1)	72,972	5%	283
			Average Increase 2017 to 2020				**$ 130,829**		

(1) $1,546,642 - $925,083 = $621,559; $621,559 / $925,083 = 67%

Q. Is the Company proposing a recovery mechanism associated with the Medically Protected Hardship Accounts consistent with the proposal it made in the last rate case filing in Docket No. DE 16-384?

A. Not at this time. The Company is requesting that when an order is issued in this proceeding that the order includes and order opening a separate statewide utility proceeding to address the ongoing concerns related to the Active Hardship Protected Accounts.

5. RIVERWOODS MASTER METER PLAN

Q. Is the Company aware of the RiverWoods plan to master meter their campus?

A. Yes. In Docket No. DE 19-114, RiverWoods petitioned the Commision for a waiver of the restrictions on master metering and was subsequently granted the waiver via a Secretarial Letter issued on March 11, 2020.

Q. Has the master metering conversion been completed?

A. No. The Company has been notified by Riverwoods that it expects to complete this project by the end of 2021.

Q. What impact will the conversion have on the Company?

A. Currently the Company has approximately 200 separate residential meters at the facility. Once the master metering conversion is completed the 200 meters will be replaced by 3 or 4 Rate G2 small general meters. The exact configuration is not known at this time. If the conversion moves forward, the Company will need to adjust test year revenues and billing determinants to reflect the change associated with going from 200 residential meters to 3 or 4 Rate G2 small general meters.

Q. Why has the Company not already reflected this adjustment?

A. Due to the project being in its early stages, the Company does not have all of the necessary details in order to make an accurate adjustment at this time. Once final plans are completed for the conversion and it is known that the conversion will occur, the Company would make the necessary proforma adjustments.

VII. TRANSITION TO DECOUPLING

Q. How will the Company transition from Lost Revenue Recovery ("LRR") as part of the Systems Benefit Charge ("SBC") to Decoupling?

A. At the start of the proposed decoupling period of April 1, 2022, the Company will stop accruing LBR associated with Energy Efficiency savings but up until that time, the Company would need to continue to collect and accrue LBR associated with the 2020 energy efficiency savings, the 2021 energy efficiency savings and the 2022 energy efficiency savings through March 31, 2022 assuming a start date of decoupling of April 1, 2022. Table 4 below outlines how the transition will work based on the proposed temporary rates, permanent rates and decoupling start period of April 1, 2022 timeline. The Company is not proposing any change to the SBC rate at this time and instead will make all required changes, including reconciliations in subsequent SBC filings as appropriate.

Table 4: Transition from LBR to Decoupling

June 1, 2021 (Temporary Rates Effective)
Stop accruing lost revenue associated with the 2017 savings
Stop accruing lost revenue associated with the 2018 savings
Stop accruing lost revenue associated with the 2019 savings
Continue accruing lost revenue associated with the 2020 savings*
Continue accruing lost revenue associated with the 2021 savings
January 1, 2022 to March 31, 2022
Continue accruing lost revenue associated with the 2020 savings*
Continue accruing lost revenue associated with the 2021 savings
Continue accruing lost revenue associated with the 2022 savings
April 1, 2022 (Permanent Rates Effective - Begin Decoupling)
Stop accruing lost revenue associated with the 2020 savings*
Stop accruing lost revenue associated with the 2021 savings
Stop accruing lost revenue associated with the 2022 savings
*Taking into account timing of the month of installtion for the 2020 measures

Q. Why will the Company continue to accrue lost revenue associated with the 2020 measures if 2020 was the test year?

A. The Company needs to continue to recover lost revenue associated with the savings reduction not reflected in the 2020 test year. For example, for a measure that was installed in December 2020 that is estimated to save 120 kWh annually, the impact on the 2020 test year sales would only reflect a reduction of 12 kWh (120 / 12 months * 1 month), and the remaining 108 kWh of savings would be realized in 2021 so it is necessary to continue to recover lost revenue associated with the 2020 savings taking into account the month that savings were realized in 2020. Table 5 below shows an illustrative example of how the calculation would work assuming 3,214,309 kWh of annual 2020 savings installed evenly throughout the year. The 2020 test year would reflect a reduction in sales of 1,741,084 kWh with the remaining reduction of 1,473,225 kWh of savings reduction occurring in 2021.

Table 5: Illustrative 2020 Savings Annualization

Unitil Energy System, Inc.
2020 Residential Installed kWh Savings
Savings Annualization

Line	Description	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020 Annual Savings
	Col. A	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	Col. N	Col. O
1	**Monthly Residential kWh Savings**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**267,859**	**3,214,309**
2														
3	**Monthly Residential Annualized kWh Savings**													
4	January 2020	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	267,859
5	February 2020		22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	245,537
6	March 2020			22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	223,216
7	April 2020				22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	200,894
8	May 2020					22,322	22,322	22,322	22,322	22,322	22,322	22,322	22,322	178,573
9	June 2020						22,322	22,322	22,322	22,322	22,322	22,322	22,322	156,251
10	July 2020							22,322	22,322	22,322	22,322	22,322	22,322	133,930
11	August 2020								22,322	22,322	22,322	22,322	22,322	111,608
12	September 2020									22,322	22,322	22,322	22,322	89,286
13	October 2020										22,322	22,322	22,322	66,965
14	November 2020											22,322	22,322	44,643
15	December 2020												22,322	22,322
16	**Total 2020 Savings Realized in 2020**	**22,322**	**44,643**	**66,965**	**89,286**	**111,608**	**133,930**	**156,251**	**178,573**	**200,894**	**223,216**	**245,537**	**267,859**	**1,741,084**
17														
18	**2020 Residential kWh Savings Realized in 2021**	**-**	**22,322**	**44,643**	**66,965**	**89,286**	**111,608**	**133,930**	**156,251**	**178,573**	**200,894**	**223,216**	**245,537**	**1,473,225**

VIII. PROPOSED TARIFF CHANGES

Q. Please summarize the proposed tariff changes presented in the Company's filing.

A. The Company's proposed tariff changes reflect (1) the proposed rates, including new Light Emitting Diode "LED" rates proposal as presented in the prefiled testimony of John Taylor, (2) the proposed Revenue Decoupling Adjustment Clause as presented in the prefiled testimony of Timothy Lyons, (3) proposed changes to the Company's EDC tariff and (4) changes to the Company's distribution terms and conditions as supported by Mark Lambert. The Company has also provided illustrative Time of Use Tariffs as Exhibits to the prefiled testimony of Cindy Carroll, Carleton Simpson, and Carol Valianti.

Q. What changes is the Company proposing to the EDC tariff, Schedule EDC?

A. The Company is proposing changes to its existing approved EDC tariff to address the following:

1. As described above in Section III. C. ii. 13, the Company is proposing to track the actual delivery write offs against the level in distribution rates and to recover the difference annually as part of the subsequent years EDC.
2. The Company is proposing to track the actual annual cost of the AMP and reconcile the cost annually against the amount that is included in base distribution rates. Any variance from the level in distribution rates will be deferred and refunded or recovered as part of the subsequent years EDC. This is described in greater detail in Section III. C. ii. 14 above.
3. As described in Section VI. 1 above, the Company is proposing to refund or collect the late payment fees the Company would have charged to customers if the late payment fee prohibition was not in place through the subsequent year's EDC.
4. The Company is proposing to collect the Deferred Calypso Storm Charges as described in Section VI. 2 through the Company's EDC over a one year period.
5. The Company is proposing to annually reconcile the actual wheeling revenues included in the test year compared to the actual revenues for the calendar year and refund or collect the difference through the subsequent year's EDC. This is described in greater detail in Section VI. 3 above.

6. Finally the Company is proposing to recover the Incentive Program and Marketing, Communications, and Education costs through the EDC. These costs are described in the prefiled testimony of Cindy Carroll, Carleton Simpson, and Carol Valianti. The Company will include an estimate of these costs in the annual EDC filing which would be reconciled to actual costs through the subsequent years EDC.

The Company has proposed to track and recover the incremental change in local property taxes as described in greater detail in Section IV and as a part of its filing in Docket No. DE 21-069 on March 29, 2021.

Finally, the Company is not proposing any change to the EDC rate at this time and instead will make all required changes, including reconciliations in subsequent EDC filings as appropriate.

Q. Has the Company prepared revised tariffs?

A. Yes. The clean and red-lined versions of the proposed tariff changes have been provided as a part of this filing.

Q. Are there any other tariff changes resulting from this case?

A. Yes. UES will file a rate case surcharge tariff at the conclusion of this proceeding to recover rate case costs and the recoupment and reconciliation of temporary and permanent rates when the final amounts are known.

IX. RATE CASE EXPENSES

Q. How do you propose to recover rate case expenses?

A. UES proposes to file a rate case surcharge to recover the costs incurred to plan, develop and present this rate case to the Commission at the conclusion of this proceeding when the final dollar amount of these expenses is known. A projection of these costs is detailed in Schedule RevReq-6.

Q. How do you propose to structure the rate case expenses surcharge?

A. The rate case expenses surcharge will be a charge per kilowatt-hour, applied to all rate schedules. Subject to Commission approval, the charge will be a temporary charge, and will be set at a level to recover the costs over a one-year period. The revenue collected will be fully reconciled with the costs incurred. At the end of the recovery period, the Company would file with the Commission a reconciliation of the surcharge, including a recommendation for treatment of any under- or over-recovered balances projected to remain at the end of the surcharge account.

Q. Please provide the estimated amount of rate case costs.

A. The estimated costs to be incurred for the rate case are $755,000 and are detailed on Schedule RevReq-6.

Q. How does the Company account for rate case costs?

A. The Company defers all costs associated with the case as they are incurred during the course of the proceeding for future recovery in rates. The Company is prepared to provide the Commission's audit staff with documentation to support those costs eligible for recovery. This documentation will consist of copies of invoices and/or other information that will assist the Commission Staff with its audit.

Q. Will the Company inform the Commission about its actual rate case costs throughout this proceeding?

A. Yes, every 90 days the Company will file with the Commission the items required by Part Puc 1905.01 (a) of its rules.

X. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.