

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 11-028

September 9, 2011

TABLE OF CONTENTS

I. INTRODUCTION	Page 1
II. PURPOSE OF TESTIMONY	Page 1
III. RETAIL RATE CALCULATIONS	Page 2
IV. BILL IMPACTS	Page 11
V. CONCLUSION	Page 12

LIST OF SCHEDULES

Schedule LSM-1: Redline Tariffs

Schedule LSM-2: Non-G1 Class Retail Rate Calculations - Power Supply Charge

**Schedule LSM-3: Non-G1 Class Retail Rate Calculations - Renewable Portfolio
Standard Charge**

Schedule LSM-4: G1 Class Retail Rate Calculations - Power Supply Charge

**Schedule LSM-5: G1 Class Retail Rate Calculations - Renewable Portfolio
Standard Charge**

Schedule LSM-6: Annual Update to Internal Administrative Costs

Schedule LSM-7: Class Bill Impacts

1 **I. INTRODUCTION**

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

3 A. My name is Linda S. McNamara. My business address is 6 Liberty Lane West,
4 Hampton, New Hampshire 03842.

5

6 **Q. For whom do you work and in what capacity?**

7 A. I am a Senior Regulatory Analyst II at Unitil Service Corp. ("USC"), which
8 provides centralized management and administrative services to all Unitil
9 Corporation's affiliates including Unitil Energy Systems, Inc. ("UES").

10

11 **Q. Please describe your business and educational background.**

12 A. In 1994 I graduated *cum laude* from the University of New Hampshire with a
13 Bachelor of Science Degree in Mathematics. Since joining USC in June 1994, I
14 have been responsible for the preparation of various regulatory filings, including
15 changes to the default service charges, price analysis, and tariff changes.

16

17 **Q. Have you previously testified before the New Hampshire Public Utilities**
18 **Commission ("Commission")?**

19 A. Yes.

20

21 **II. PURPOSE OF TESTIMONY**

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

1 A. The purpose of my testimony is to present and explain the proposed changes to
2 UES's Default Service Charge ("DSC") effective November 1, 2011, as reflected
3 in the redline tariffs provided as Schedule LSM-1.
4

5 **Q. Is UES proposing any other tariff changes for effect November 1, 2011?**

6 A. Yes. Schedule LSM-1, Page 4 of 4, provides a proposed Schedule RSO, the
7 Renewable Source Option, tariff page 108, for effect November 1, 2011. UES
8 witness Robert S. Furino provides support for the rates shown.
9

10 **III. RETAIL RATE CALCULATIONS**

11 **Q. What is the proposed Non-G1 Class DSC?**

12 A. As shown on Schedule LSM-1, Page 1, the proposed Non-G1 Fixed DSC is
13 \$0.08026 per kWh for the Non-G1 Class for the period November 1, 2011
14 through April 30, 2012. The proposed Non-G1 Variable DSC for this same
15 period is also shown on this page. The proposed Non-G1 class Fixed DSC has
16 also been incorporated into the Summary of Low-Income Electric Assistance
17 Program Discounts, shown on Page 3 of Schedule LSM-1.
18

19 The proposed DSC are comprised of two components, as shown on Schedule
20 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
21 ("RPS") Charge.
22

1 **Q. What is the proposed Power Supply Charge and RPS Charge?**

2 A. For the period November 1, 2011 through April 30, 2012, the proposed Non-G1
3 Fixed Power Supply Charge is \$0.07802 per kWh and the proposed Non-G1
4 Fixed RPS Charge is \$0.00224. Both of these figures, as well as the variable
5 amounts for the same period, are shown on Schedule LSM-1, Page 1.

6
7 **Q. How does this rate compare to the current rate?**

8 A. The Non-G1 Fixed DSC of \$0.08026 per kWh is an increase of \$0.00752 per
9 kWh from the current DSC of \$0.07274 per kWh. This increase reflects higher
10 contract costs for the period November 1, 2011 through April 30, 2012 compared
11 to the contract costs for the current period May 1, 2011 through October 31, 2011.

12
13 **Q. Please describe the calculation of the Non-G1 class DSC.**

14 A. The rate calculations for the Non-G1 class Power Supply Charges, Fixed and
15 Variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the
16 Non-G1 class RPS Charges, Fixed and Variable, are provided on Schedule LSM-
17 3, Page 1. Both charges are calculated in the same manner.

18

1 The Variable Charge is calculated by dividing the total costs for the month,
2 including a partial reconciliation of costs and revenues through January 31, 2011¹
3 and approximately half of the expenses incurred through July 31, 2011 related to
4 UES's Smart Grid program², by the estimated monthly Non-G1 kWh purchases.
5 An estimated loss factor of 6.4% is then added to arrive at the proposed retail
6 Variable Charges. The Fixed Charge is calculated in a similar manner, except
7 that the calculation is based on totals for the entire six month period.
8

¹ In its March 11, 2011 filing, UES provided the Non-G1 Class Power Supply Charge reconciliation balance as of January 31, 2011, as adjusted, in the amount of \$1,182,066. UES apportioned this balance based on kWh over the twelve month period May 2011 through April 2012 as follows: \$591,506 in May-October 2011 and \$590,560 in November 2011-April 2012. As shown on Schedule LSM-2, Page 1, the reconciliation amount used in this filing is \$590,560. Also in its March 11, 2011 filing, UES provided the Non-G1 Class RPS Charge reconciliation balance as of January 31, 2011, as adjusted, in the amount of (\$365,947). UES apportioned this balance based on kWh over the twelve month period May 2011 through April 2012 as follows: (\$183,120) in May-October 2011 and (\$182,827) in November 2011-April 2012. As shown on Schedule LSM-3, Page 1, the reconciliation amount used in this filing is (\$182,827).

² In its March 11, 2011 Default Service filing, DE 11-028, UES removed actual Smart Grid expenses incurred through January 2011 from its reconciliation balance in order to begin recovery of the Smart Grid expenses beginning November 1, 2011. In its filing dated September 7, 2011, in DE 09-137, UES provides support for its Smart Grid expenses incurred through July 31, 2011. See DE 09-137, Smart Grid Pilot Program Report on Cost Tracking, Page 7 of 10.

1 **Q. Have you provided support for the total forecast costs shown on Page 1,**
2 **line 2 of Schedule LSM-2?**

3 A. The details of forecasted costs for the period November 2011 through April
4 2012 are provided on Schedule LSM-2, Page 2. Line items for the various
5 costs included in default service are shown and include: Total Non-G1 Class
6 DS Supplier Charges, GIS Support Payments, Supply Related Working
7 Capital, Provision for Uncollected Accounts, Internal Company
8 Administrative Costs, Legal Charges, and Consulting Outside Service
9 Charges.

10

11 **Q. Have you provided support for the total forecast costs shown on Page 1,**
12 **line 2 of Schedule LSM-3?**

13 A. The details of forecasted costs for the period November 2011 through April
14 2012 are provided on Schedule LSM-3, Page 2. Costs include Renewable
15 Energy Credits (“RECs”) and the associated working capital.

16

17 **Q. How is working capital calculated?**

18 A. Working capital included in the Power Supply Charge equals the sum of
19 working capital for Total Non-G1 Class DS Supplier Charges plus GIS
20 Support Payments, as shown on Schedule LSM-2, Page 2. It is calculated by
21 multiplying the product of Total Non-G1 Class DS Supplier Charges plus GIS

1 Support Payments and the number of days lag divided by 365 days (i.e. the
2 working capital requirement) by the prime rate.

3

4 The calculation of working capital for RECs is included in the RPS Charge
5 and is shown on Schedule LSM-3, Page 2. It is calculated by multiplying the
6 product of RECs and the number of days lead divided by 365 days (i.e. the
7 working capital requirement) by the prime rate.

8

9 The calculation of working capital included in the Power Supply Charge and
10 the RPS Charge both rely on the results of the 2010 Default Service and
11 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
12 Charge working capital calculation uses 22.08 days and the Non-G1 class RPS
13 Charge working capital calculation uses (292.83) days.

14

15 **Q. Has UES included its annual update to internal company administrative**
16 **costs associated with providing default service?**

17 A. Yes. The updated internal company administrative costs associated with
18 providing default service proposed for effect November 1, 2011 are provided
19 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
20 identically to those submitted as part of the update last year.

21

1 The Settlement Agreement in DE 05-064 allows UES to update these costs
2 annually based on changes to labor costs and associated overheads. The labor
3 hours allocated to DS reflect test year values and are not adjusted. UES has
4 used an overhead rate of 94.2% based on the average for calendar year 2010.
5 The updated labor costs by department are detailed on Schedule LSM-6, Page
6 2 of 2.

7
8 As shown on Page 1 of 2, the revised internal administrative costs associated
9 with providing DS are \$62,659. \$24,826 of that amount is attributable to the
10 Non-G1 class and \$37,833 is attributable to the G1 class. The current internal
11 administrative costs associated with providing DS are \$60,373, with \$23,991
12 attributable to the Non-G1 class and \$36,382 attributable to the G1 class.

13

14 **Q. What is the proposed G1 Class DSC?**

15 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable DSC of \$0.08245 per
16 kWh in November 2011, \$0.08206 per kWh in December 2011, and \$0.08258 per
17 kWh in January 2012. There is no fixed option DSC for the G1 class.

18

19 The proposed DSC are comprised of two componets, as shown on Schedule LSM-
20 1, Page 2: A Power Supply Charge and a Renewable Portfolio Standard ("RPS")
21 Charge.

22

1 **Q. What is the proposed Power Supply Charge and RPS Charge?**

2 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable Power Supply Charges
3 of \$0.07933 per kWh in November 2011, \$0.07894 per kWh in December 2011,
4 and \$0.07908 per kWh in January 2012.

5
6 Also shown on Schedule LSM-1, Page 2, is the proposed G1 Variable RPS
7 Charge of \$0.00312 per kWh in November and December 2011, and \$0.00350 per
8 kWh in January 2012.

9
10 **Q. How do the G1 DSC compare to the current rate?**

11 A. The current DSC, based on a simple three-month average, is \$0.07169 per kWh.
12 The proposed rate, based on a simple three-month average, is \$0.08236 per kWh.
13 This is an increase of \$0.01067 per kWh, on average, from the current rate. The
14 increase reflects current market prices.

15
16 **Q. Please describe the calculation of the G1 class DSC.**

17 A. The rate calculations for the Variable Power Supply Charges are provided on
18 Schedule LSM-4, Page 1. The rate calculations for the Variable RPS Charges are
19 provided on Schedule LSM-5, Page 1. Both charges are calculated in the same
20 manner.

21

1 The Variable Charge is calculated by dividing the costs for each month, including
2 a partial reconciliation of costs and revenues through January 31, 2011³, by the
3 estimated G1 kWh purchases for the corresponding month. An estimated loss
4 factor of 4.591% is then added to arrive at the proposed retail Variable Charges.

5

6 **Q. Have you provided support for the total forecast costs shown on Page 1,**
7 **line 2 of Schedule LSM-4?**

8 A. The details of forecasted costs included in the Power Supply Charge for the
9 period November 2011 through January 2012 are provided on Schedule LSM-
10 4, Page 2. Line items for the various costs included in default service are

³ In its March 11, 2011 filing, UES provided the G1 Class Power Supply Charge reconciliation balance as of January 31, 2011, as adjusted, in the amount of (\$14,609). UES apportioned this balance based on kWh over the twelve month period May 2011 through April 2012 as follows: (\$3,867) in May-July 2011, (\$3,832) in August-October 2011, (\$3,469) in November 2011-January 2012, and (\$3,440) in February-April 2012. As shown on Schedule LSM-4, Page 1, the reconciliation amount used in this filing is (\$3,469). Also in its March 11, 2011 filing, UES provided the G1 Class RPS Charge reconciliation balance as of January 31, 2011, as adjusted, in the amount of \$45,101. UES apportioned this balance based on kWh over the twelve month period May 2011 through April 2012 as follows: \$11,939 in May-July 2011, \$11,831 in August-October 2011, \$10,710 in November 2011-January 2012, and \$10,621 in February-April 2012. As shown on Schedule LSM-5, Page 1, the reconciliation amount used in this filing is \$10,710.

1 shown and include: Total G1 Class DS Supplier Charges, GIS Support
2 Payments, Supply Related Working Capital, Provision for Uncollected
3 Accounts, Internal Company Administrative Costs, Legal Charges, and
4 Consulting Outside Service Charges.
5

6 **Q. Have you provided support for the total forecast costs shown on Page 1,**
7 **line 2 of Schedule LSM-5?**

8 A. The details of forecasted costs included in the RPS Charge for the period
9 November 2011 through January 2012 are provided on Schedule LSM-5, Page
10 2. Costs include Renewable Energy Credits (“RECs”) and the associated
11 Working Capital.
12

13 **Q. How is working capital calculated?**

14 A. Working capital included in the Power Supply Charge equals the sum of
15 working capital for Total G1 Class DS Supplier Charges plus GIS Support
16 Payments, as shown on Schedule LSM-4, Page 2. It is calculated by
17 multiplying the product of Total G1 Class DS Supplier Charges plus GIS
18 Support Payments and the number of days lag divided by 365 days (i.e. the
19 working capital requirement) by the prime rate.
20

21 The calculation of working capital for RECs is included in the RPS Charge
22 and is shown on Schedule LSM-5, Page 2. It is calculated by multiplying the

1 product of RECs and the number of days lead divided by 365 days (i.e. the
2 working capital requirement) by the prime rate.

3

4 The calculation of working capital included in the Power Supply Charge and
5 the RPS Charge both rely on the results of the 2010 Default Service and
6 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
7 Charge working capital calculation uses 5.40 days and the G1 class RPS
8 Charge working capital calculation uses (314.32) days.

9

10 **IV. BILL IMPACTS**

11 **Q. Have you included any bill impacts associated with the proposed DSC rate**
12 **changes?**

13 **A.** Typical bill impacts as a result of changes to the DSC have been provided in
14 Schedule LSM-7.

15

16 Pages 1 through 3 provide a table comparing the existing rates to the proposed
17 rates for all the rate classes. These pages also show the impact on a typical bill
18 for each class in order to identify the effect of each rate component on a typical
19 bill.

20

21 Page 4 shows bill impacts to the residential class based on the mean and median
22 use. Page 4 is provided in a format similar to Pages 1 through 3.

1

2 Page 5 provides the overall average class bill impacts as a result of changes to the
3 DSC. As shown, for customers on Default Service, the residential class will
4 increase about 5.4%, general service will increase about 5.6%, large general
5 service will increase about 9.8% and outdoor lighting will increase about 2.8%.

6

7 Pages 6 through 11 of Schedule LSM-7 provide typical bill impacts for all classes
8 for a range of usage levels.

9

10 **V. CONCLUSION**

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

12 **A. Yes, it does.**