

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

TODD M. BOHAN

New Hampshire Public Utilities Commission

Docket No.: DE 13-

June 13, 2013

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LIST OF SCHEDULES

Schedule TMB-1: Stranded Cost Charge Costs

Schedule TMB-2: External Delivery Charge Costs

Schedule TMB-3: Contract Release Payments and Administrative Service Charges

Schedule TMB-4: Unitil Power Corp. Cost and Revenue Model

Schedule TMB-5: HQ Payments and Revenues

1 **I. INTRODUCTION**

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

3 A. My name is Todd M. Bohan. My business address is 6 Liberty Lane West,
4 Hampton, NH.

5

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

7 A. I am employed by Unitil Service Corp. ("USC") as an Energy Analyst. USC
8 provides management and administrative services to Unitil Energy Systems, Inc.
9 ("UES") and Unitil Power Corp. ("UPC").

10

11 **Q. Please describe your relevant educational and work experience.**

12 A. I graduated *magna cum laude* from Saint Anselm College, Manchester, New
13 Hampshire in 1987 with a Bachelor of Arts degree in Financial Economics. I
14 earned a Masters in Economics from Clark University, Worcester, Massachusetts
15 in May 1990. In September 1995, I earned a Ph.D. in Economics from Clark
16 University. Before joining Unitil, I worked for Bay State Gas Company as a Rate
17 Analyst. Prior to working for Bay State, I was employed as a Utility Analyst and
18 an Economist in the Economics Department of the New Hampshire Public
19 Utilities Commission. I joined Unitil Service Corp. in November 1998, and have
20 been involved in various regulatory proceedings. In August of 2010, I joined the
21 Energy Contracts group and have primary responsibilities in the areas of electric
22 market operation and data reporting, default service administration and budgeting,
23 and competitive electric supplier operations.

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

3 A. Yes. I have testified before the Commission on various regulatory matters, most
4 recently in UES's Default Service Solicitation proceeding, Docket No. DE 13-079
5 and UES's Stranded Cost Recovery and External Delivery Charge Reconciliation and
6 Rate Filing, Docket No. DE 12-171.

7

8 **II. SUMMARY OF TESTIMONY**

9 **Q. Please summarize your testimony in this proceeding.**

10 A. My testimony presents the cost data and explains the reasons for the proposed
11 changes to UES's Stranded Cost Charge ("SCC"), and External Delivery Charge
12 ("EDC"), effective August 1, 2013. Ms. Linda S. McNamara presents the
13 reconciliation for the SCC and EDC through July 2013 and the rate development
14 for the SCC and EDC for the period beginning August 1, 2013 and ending July
15 31, 2014, based on the cost data included in my testimony.

16

17 **III. STRANDED COST CHARGE COSTS**

18 **Q. What costs are included in the SCC?**

19 A. The SCC includes the Contract Release Payments ("CRP") from Unitil Power
20 Corp., charged in accordance with the Amended Unitil System Agreement,
21 approved by both the Commission in Docket No. DE 01-247 and by the FERC.

22

1 Schedule TMB-1, page 1, provides a description of the CRP. Page 2 provides the
2 CRP by month reflecting actual data from August 2011 through April 2013 and
3 estimated data from May 2013 through July 2014. These include costs associated
4 with the recovery of a customer billing adjustment as approved in docket DE 11-
5 105 and as discussed in the testimony of Ms. McNamara.

6

7 **Q. Please describe the Amended Unitil System Agreement.**

8 A. The purpose of the Amended Unitil System Agreement was to restructure UES's
9 power supply in order to implement retail choice. Prior to the implementation of
10 the Amended Unitil System Agreement on May 1, 2003, UES purchased full-
11 requirements power supply from UPC at fully reconciling, cost-of-service rates.

12

13 The Amended Unitil System Agreement provides for termination of power sales
14 from UPC to UES and the payment of UPC's on-going costs by UES. These on-
15 going costs are defined in the Amended Unitil System Agreement as either CRP
16 or Administrative Service Charges ("ASC"). UES recovers the CRP through the
17 SCC and the ASC through the EDC. The ASC will be discussed later under the
18 EDC costs.

19

20 **Q. Please describe the CRP.**

21 A. The CRP is calculated in accordance with Appendix 1 of the Amended Unitil
22 System Agreement. The CRP is equal to the sum of the Portfolio Sales Charge,

1 the Residual Contract Obligations, the Hydro-Quebec Support Payments, and
2 True-Ups from Prior Periods.

3
4 The Portfolio Sales Charge and the Residual Contract Obligations have ended. The
5 CRP estimates in this filing include no Portfolio Sales Charge and no Residual
6 Contract Obligations. UPC's last Portfolio Sales Charge payment under the Mirant
7 Agreement was made in October 2010, and UPC's last Residual Contract Obligation
8 buyout payment (Indeck contract buyout) was made in September 2009.

9
10 The Hydro-Quebec Phase II Agreements require UPC to support the Hydro-Quebec
11 Phase II facilities through October 2020. These facilities are part of one high-voltage,
12 direct-current ("HVDC") interconnection between New England and Quebec. UPC
13 has no obligation to support Phase I of these facilities. Currently, the costs for
14 maintenance and construction of these facilities are paid by Interconnection Rights
15 Holders ("IRH") through support agreements between the IRH members and the
16 owners of the HVDC transmission facilities. The Hydro-Quebec Support Payments
17 include all costs incurred by UPC pursuant to the Hydro-Quebec Phase II
18 Agreements, offset by any revenues received by UPC for sales of UPC's Hydro-
19 Quebec Phase II entitlement. The Hydro-Quebec Support Payments are not a known
20 payment stream because they are based on the cost-of-service of the Hydro-Quebec
21 Phase II transmission facilities. As discussed below, UPC receives revenue for short-
22 term sales of transmission rights and capacity rights. These revenues operate to offset
23 the expense of the Hydro-Quebec Support Payments.

1 The True-ups from Prior Periods reflect any differences in costs resulting from the
2 reconciliation of estimated costs to actual costs under the CRP component of the
3 Amended Unitil System Agreement. The True-ups from Prior Periods also
4 provide for the reconciliation of costs billed to UPC for services purchased in
5 UPC's performance of the Unitil System Agreement, prior to May 1, 2003. The
6 CRP estimates in the current filing reflect no True-ups from Prior Periods.
7

8 **Q. Please provide an estimate of each of the components of the CRP.**

9 A. Details regarding the CRP are provided in Schedule TMB-3. This shows the
10 actual itemized CRP and ASC charges as billed by UPC to UES for the period
11 beginning August 2011 through April 2013 under the Amended Unitil System
12 Agreement. Beginning on page 2 of Schedule TMB-3, estimated CRP and ASC
13 for the 15-month period beginning May 2013 and ending July 2014 are presented.
14 UPC bills UES on estimated data, prior to the beginning of the month of service.
15 These estimates are trued-up to actuals on a two-month lag.
16

17 **Q. Please provide a comparison of the estimated CRP for the upcoming SCC**
18 **rate period (August 2013 through July 2014) to the projected CRP for the**
19 **current SCC rate period (August 2012 through July 2013).**

20 A. Table 1 below provides a comparison of the estimated CRP for the upcoming
21 SCC rate period (August 2013 through July 2014) to the projected actual CRP for
22 the current SCC rate period (August 2012 through July 2013).
23

Table 1. Comparison of Estimated CRP for August 2013 through July 2014 to Projected CRP for August 2012 through July 2013
Unitil Power Corp.

Line No.	Line Item Description	Aug 2012 - July 2013 9 Months Act. and 3 Months Est.	Aug 2013 - July 2014 Estimate	Variance (Aug 2013 - July 2014 Costs minus Aug 2012 - July 2013 Costs)
1.	Portfolio Sales Charge	\$0	\$0	\$0
2.	Residual Contract Obligations	\$0	\$0	\$0
3.	Hydro-Quebec Support Payments	\$51,758	\$190,224	\$138,466
4.	Subtotal (L. 2 through 4)	\$51,758	\$190,224	\$138,466
5.	True-up for estimate	\$199,184	\$0	(\$199,184)
6.	Obligations prior to May 1, 2003	\$0	\$0	\$0
7.	Total Contract Release Payments as billed by Unitil Power Corp.	\$250,942	\$190,224	(\$60,718)

1

2 At the time of the preparation of this estimate of the CRP, actual CRP expense
3 data was available through April 2013. As such, the projected actual CRP for the
4 current SCC rate period (August 2012 through July 2013) presented in Table 1 is
5 comprised of nine months of actual data and three months of estimated data.

6

7 **Q. Please report on the efforts by UPC to mitigate the stranded cost associated**
8 **with the Hydro-Quebec Phase II Agreements.**

9 A. UPC mitigates these costs through short-term sales of the transmission rights and
10 capacity, which UPC is entitled to through its support of the Hydro-Quebec Phase
11 II facilities. Currently, UPC resells its transmission rights on a short-term basis
12 through a brokering agreement with Central Vermont Public Service Corporation
13 ("CVPS"). Under this brokering agreement, CVPS offers UPC's transmission
14 rights associated with the Hydro-Quebec Phase II facilities for sale on a short-
15 term basis through the CVPS' OASIS website. CVPS has authority under this
16 agreement to enter into binding sales of UPC's Hydro-Quebec transmission rights

1 for transactions of one month or less in duration. UPC also has rights to Hydro-
2 Quebec Interconnection Capability Credit (“HQICC”), pursuant to the ISO Tariff.
3 UPC is reimbursed by CVPS for its HQICC at a price equal to the ISO Net
4 Regional Clearing Price.¹ Please refer to Schedule TMB-5 for itemized cost and
5 revenue offsets, related to the Hydro-Quebec Phase II Support Agreements.

6

7 **IV. EXTERNAL DELIVERY CHARGE COSTS**

8 **Q. What costs are included in the EDC?**

9 A. Schedule TMB-2, page 1 provides a description of the costs included in the EDC:

- 10 1) Third Party Transmission Providers (NU Network Integration Transmission
11 Service);
12 2) Regional Transmission and Operating Entities;
13 3) Third Party Transmission Providers (NU Wholesale Distribution);
14 4) Transmission-Based Assessments and Fees;
15 5) Load Estimation and Reporting System Costs;
16 6) Data and Information Services;
17 7) Legal Charges;
18 8) Consulting Outside Service Charges;
19 9) Administrative Costs - Renewable Source Option program;
20 10) Administrative Service Charges;
21 11) Non-Distribution Portion of the Annual PUC Assessment; and
22 12) Working Capital Associated with Other Flow-Through Operating Expenses.

23

24 Items 1), 2), and 3) of the Schedule are discussed below:

¹ The Net Regional Clearing Price is calculated by first adding Forward Capacity Auction payments to Net Reconfiguration Auction Credits or Charges and subtracting Peak Energy Rent Adjustments. This total is then divided by the Net Regional Supply Obligation.

1 The Third Party Transmission Providers (NU Network Integration Transmission
2 Service) component of the EDC consists of Network Integration Transmission
3 Service taken by UES and provided by the Northeast Utilities Companies (“NU”)
4 pursuant to Schedule 21-NU of the ISO New England Inc. Transmission, Markets
5 and Services Tariff (FERC Electric Tariff No.3) (“ISO Tariff”).

6

7 The Regional Transmission and Operating Entities component of the EDC
8 consists of all charges from ISO New England Inc. (“ISO”). These charges consist
9 primarily of Regional Network Service, taken pursuant to the ISO Tariff. Other
10 major costs (which are also billed by the ISO to UES) are various ancillary
11 services allocated to transmission customers, such as VAR support, dispatch
12 service, and black-start capability.

13

14 The Third Party Transmission Providers (NU Wholesale Distribution) component
15 consists of Distribution Delivery Service (“DDS”) charges with NU. DDS
16 compensates Public Service Company of New Hampshire for the wheeling of
17 power from the NU transmission system to UES’s distribution system over certain
18 facilities, which are classified as distribution facilities for accounting purposes
19 and, therefore, are not included in the NU transmission system rate base.

20

21 **Q. Please provide the External Delivery cost data, which was utilized in the**
22 **calculation of the EDC.**

1 A. Schedule TMB-2 provides the External Delivery cost data used in the calculation
2 of the EDC. Page 2 provides actual historic External Delivery cost data for the
3 year beginning August 2011 through July 2012. Actual External Delivery cost
4 data for the months of August 2011 through April 2012 was included in UES's
5 last rate and reconciliation filing, Docket No. DE 12-171. In that docket, UES
6 provided estimated External Delivery costs for May 2012 through July 2012.
7 Rather than present partial data beginning with May 2012, UES is presenting the
8 full period. Page 3 of Schedule 2 provides External Delivery cost data for the
9 current EDC rate period, August 2012 through July 2013. Actual cost data is
10 available through April 2013, and estimated cost data is provided for May 2013
11 through July 2013. Finally, page 4 of Schedule TMB-2 provides estimated
12 External Delivery costs for the upcoming EDC rate period, August 2013 through
13 July 2014. These include costs associated with the recovery of a customer billing
14 adjustment (column (n)) as approved in docket DE 11-105 and as discussed in the
15 testimony of Ms. McNamara.

16
17 **Q. Please provide a comparison of the External Delivery costs for the upcoming**
18 **EDC rate period (August 2013 through July 2014) to the projected External**
19 **Delivery costs for the current EDC rate period (August 2012 through July**
20 **2013).**

21 A. Please refer to Table 2 below for an itemized comparison of estimated External
22 Delivery cost for the upcoming EDC rate period to the projected External
23 Delivery costs for the current rate period.

Table 2. Comparison of Estimated External Delivery costs for August 2013 through July 2014 to projected External Delivery costs for August 2012 through July 2013 Unitil Energy Systems, Inc.				
Line No.	Line Item Description	Aug 2012 - July 2013 9 Months Act. and 3 Months Est.	Aug 2013 - July 2014 Estimate	Variance (Aug 2013 - July 2014 Costs minus Aug 2012 - July 2013 Costs)
1.	Third Party Transmission Providers (NU Network Integration Transmission Service)	\$1,274,438	\$755,657	(\$518,782)
2.	Regional Transmission and Operating Entities	\$17,265,834	\$19,838,049	\$2,572,215
3.	Third Party Transmission Providers (NU Wholesale Distribution)	\$2,902,132	\$2,859,895	(\$42,237)
4.	Transmission-based Assessments and Fees	\$1,483	\$3,000	\$1,517
5.	Load Estimation and Reporting System Costs	(\$14,791)	\$185,940	\$200,731
6.	Data and Information Services	\$15,000	\$15,000	\$0
7.	Legal Charges	\$14,348	\$40,000	\$25,652
8.	Consulting Outside Service Charges	\$22,527	\$0	(\$22,527)
9.	Administrative Costs - Renewable Source Option	\$0	\$0	\$0
10.	Administrative Service Charges	\$5,686	\$6,204	\$518
11.	Non-Distribution Portion of the Annual PUC Assessment	\$247,398	\$240,417	(\$6,981)
12.	Working Capital Associated with Other Flow-Through Operating Expenses	\$318,295	\$318,295	\$0
13.	EDC Cost Adjustment	\$0	\$73,996	\$73,996
14.	Total External Delivery Costs	\$22,052,351	\$24,336,452	\$2,284,102

1

2 **Q. Please explain the projected increase in External Delivery costs of**
3 **approximately \$2.3 million for the upcoming EDC rate period (August 2013**
4 **through July 2014) over the current EDC rate period (August 2012 through**
5 **July 2013).**

1 A. The increase in External Delivery costs for the upcoming EDC rate period is
2 primarily the result of one factor: higher Regional Transmission and Operating
3 Entities cost for the upcoming period of August 2013 through July 2014. The
4 \$2.3 million increase in the Regional Transmission and Operating Entities costs is
5 driven almost solely by an increase in the Regional Network Service (“RNS”) rate
6 from \$75.26/kW-Year to \$86.66/kW-Year effective June 1, 2013.

7
8 **Q. What legal costs does UES expect to incur under the EDC?**

9 A. UES estimates that it will incur approximately \$40,000 in legal costs for the
10 upcoming EDC rate period (August 2013 through July 2014). Legal costs include
11 UES’s estimates for monitoring FERC issuances and rulemakings and completing
12 FERC tariff filings. EDC legal costs estimate excludes any charges directly
13 related to the design and implementation of Default Service supply. Any legal
14 costs associated with procurement of Default Service are recovered through the
15 Default Service Charge.²

16
17 **Q. Please provide the detail behind the estimate for the Administrative Service**
18 **Charge.**

19 A. Details regarding the ASC are provided in Schedule TMB-3 on lines 10 through
20 18. The ASC includes any costs incurred by UPC, relative to UPC’s obligations

² This is in accordance with the settlement agreement approved in Docket No. DE 05-064.

1 under the Amended Unitil System Agreement, which are not otherwise assigned
2 or assumed by UES. These costs include NEPOOL, ISO, and RTO costs, as well
3 as legal, consulting, and other outside services. It does not include any internal
4 costs of USC, UES or UPC.

5

6 **V. UPC COSTS AND REVENUES**

7 **Q. Has UPC prepared an accounting of the costs and revenues to UPC under**
8 **the CRP and the ASC?**

9 A. Yes. Schedule TMB-4 provides this accounting for the period beginning August
10 2011 through April 2013. UPC bills UES estimates of the CRP and ASC on the
11 25th of the month for the upcoming month. The estimated expenses are trued-up
12 to actual expenses on a two-month lag basis. In order to calculate the true-up,
13 UPC tracks the actual expenses, which comprise both the CRP and the ASC.
14 These actual expenses are compared to the estimated expenses to calculate the
15 true-up for prior period. Schedule TMB-4 provides summary data of actual CRP
16 and ASC expenses and revenues.

17

18 **VI. CONCLUSION**

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

20 A. Yes, it does.