

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 15-079

April 3, 2015

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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 for 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 June 1, 2015, as reflected in the
3 redline tariffs provided as Schedule LSM-1.

4

5 **Q. Is UES proposing any other tariff changes for effect June 1, 2015?**

6 A. Yes. Schedule LSM-1, Page 4 of 5, provides the Summary of Low-Income
7 Electric Assistance Program Discounts, incorporating the proposed June 1 Non-
8 G1 (Residential) DSC. In addition, a typographical error has been corrected to
9 show that Tier 2 applies up to 200% of the Federal Poverty Level.

10

11 Schedule LSM-1, Page 5 of 5, provides a change to UES's Default Service tariff,
12 Schedule DS, to incorporate the portion of the annual NHPUC assessment
13 applicable to default service (i.e. \$10,000 per year). This change, effective July 1,
14 2014, has been made in accordance with RSA 363-A:2, III. If approved, UES
15 will adjust its reconciliation balance to account for this change effective July 1,
16 2014. Page 5 also reflects additional "housekeeping" changes.

17

18 **III. RETAIL RATE CALCULATIONS**

19 **Q. What are the proposed Non-G1 Class DSC?**

20 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
21 G1 DSC is \$0.06921 (or 6.921¢) per kWh and the proposed G2 and Outdoor
22 Lighting ("OL") Class fixed Non-G1 DSC is \$0.06993 (or 6.993¢) per kWh for
23 the period June 1, 2015 through November 30, 2015. The proposed Residential

1 Class variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1
2 DSC for this same period are also shown on this page.

3
4 The proposed DSC are comprised of two components, as shown on Schedule
5 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
6 (“RPS”) Charge.

7
8 **Q. What are the proposed Power Supply Charges and RPS Charge?**

9 A. For the period June 1, 2015 through November 30, 2015, the proposed Residential
10 Class fixed Non-G1 Power Supply Charge is \$0.06703 (or 6.703¢) per kWh, the
11 proposed G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.06775 (or
12 6.775¢) per kWh, and the proposed fixed Non-G1 RPS Charge is \$0.00218 (or
13 0.218¢) per kWh. These figures, as well as the variable amounts for the same
14 period, are shown on Schedule LSM-1, Page 1.

15
16 **Q. How do the Non-G1 fixed DSC rates compare to the current rate?**

17 A. The proposed Residential Class fixed Non-G1 DSC of \$0.06921 (or 6.921¢) per
18 kWh is a decrease of \$0.08623 (or 8.623¢) per kWh from the current DSC of
19 \$0.15544 (or 15.544¢) per kWh. The proposed G2 and OL Class fixed Non-G1
20 DSC of \$0.06993 (or 6.993¢) per kWh is a decrease of \$0.08272 (or 8.272¢) per
21 kWh from the current DSC of \$0.15265 (or 15.265¢) per kWh. These decreases
22 reflect lower contract costs for the period June 1, 2015 through November 30,

1 2015 compared to the contract costs for the current period December 1, 2014
2 through May 31, 2015.

3
4 **Q. Please describe the calculation of the Non-G1 class DSC.**

5 A. The rate calculations for the Non-G1 class Power Supply Charges, fixed and
6 variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the
7 Non-G1 class RPS Charges, fixed and variable, are provided on Schedule LSM-3,
8 Page 1. Both charges are calculated in a similar manner.

9
10 Variable pricing is calculated by dividing the total costs for the month, including a
11 partial reconciliation of costs and revenues through February 28, 2015, by the
12 estimated monthly kWh purchases for the Residential Class and the G2 and OL
13 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed
14 retail variable charges. Fixed pricing is calculated in a similar manner, except
15 that the calculation is based on each class's total for the entire six month period.

16
17 **Q. Have you made any adjustments to the reconciliation balances included in**
18 **the Power Supply and RPS charges?**

19 A. In order to determine the reconciliation amount included in the Non-G1 class
20 power supply charge, the reconciliation balance as of February 28, 2015 was
21 adjusted to recognize that estimated revenue in March, April, and May 2015
22 should exceed costs for this same period by an estimated \$8,508,543. This
23 adjustment recognizes that estimated costs for March, April and May 2015 are

1 below the average cost for the entire period, November 2014-May 2015, while
2 revenue will be primarily based on the fixed Power Supply Charge, of which most
3 Non-G1 customers pay, and is determined using an average of costs for the entire
4 November 2014-May 2015 period. This adjustment brings the February 28, 2015
5 balance from \$8,154,522 to (\$354,020).

6
7 In order to determine the reconciliation amounts included in the Non-G1 class
8 RPS, the reconciliation balance as of February 28, 2015 was adjusted to account
9 for an estimate of RECs yet to be purchased. The Non-G1 class RPS
10 reconciliation balance also includes an adjustment to recognize that the current
11 RPS charges, in effect through May 31, 2015, include a credit for the
12 overcollection as of February 28, 2014.

13
14 Since UES reconciles its costs on an annual basis, only a portion of the total
15 reconciliation balances are reflected in the proposed Power Supply and RPS rates.
16 UES apportioned the Power Supply balance and the RPS balance based on kWh
17 over the twelve month period June 2015 through May 2016. The Power Supply
18 reconciliation balance is further divided between the Residential Class and the
19 G2/OL Class, based on kWh. This calculation is provided on Page 1 of Schedule
20 LSM-2 for Power Supply and Page 1 of Schedule LSM-3 for RPS.

21
22 **Q. Please explain the adjustment to the RPS reconciliation balance mentioned**
23 **above regarding the estimate of RECs yet to be purchased.**

1 A. This adjustment recognizes that RPS revenue includes recovery of estimated RPS
2 costs. However, these costs have not yet been fully paid but are being accrued.
3 In order to prevent refunding these amounts, UES has added the amounts it has
4 already collected in rates to the reconciliation balance. This method ensures that
5 customers are appropriately compensated through the interest calculation, which
6 reflects that these costs have not yet been paid.

7
8 **Q. Have you provided details on the reconciliation?**

9 A. Support for the February 28, 2015 Non-G1 class power supply reconciliation
10 balance is provided on Schedule LSM-2, Page 2. Support for the February 28,
11 2015 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3,
12 Page 2. As described above, those figures have been adjusted in order to arrive at
13 the figures for collection beginning June 1, 2015. Details for costs for the period
14 March 2014 through February 2015 are provided on Page 3 of Schedule LSM-2
15 and LSM-3. Page 4 of Schedule LSM-2 and LSM-3 provides revenue details.

16
17 **Q. How does UES account for credits to net metering customers?**

18 A. The Company currently includes in the Total Non-G1 Class DS Supplier Charges,
19 in the Non-G1 Class Power Supply Charge, the amounts credited to, or paid to,
20 small customer generator net metering customers with an excess of 600 kWh
21 banked at the end of the March billing cycle who opt to be credited or paid in
22 accordance with the PUC 900 rules. This amount was \$403.37, included in April
23 2014.

1

2 UES also plans to include, in future filings, any monthly amounts credited to, or
3 paid to, large customer generators or group net metering customers in accordance
4 with PUC 900.

5

6 **Q. Have you provided support for the total forecast costs shown on Page 1,**
7 **lines 2 and 10 of Schedule LSM-2?**

8 A. The details of forecasted costs for the period June through November 2015 are
9 provided on Schedule LSM-2, Page 5. Line items for the various costs
10 included in default service are shown and include: Non-G1 Class (Residential)
11 DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier Charges, GIS
12 Support Payments, Supply Related Working Capital, Provision for
13 Uncollected Accounts, Internal Company Administrative Costs, Legal
14 Charges, Consulting Outside Service Charges, and the default service portion
15 of the annual PUC Assessment allocated to the Non-G1 Class. In addition,
16 costs include an adjustment to recover default service related costs associated
17 with the customer billing adjustment in DE 11-105.

18

19 **Q. Have you provided support for the customer billing adjustment line item**
20 **on Schedule LSM-2, Pages 3 and 5?**

21 A. Support for the monthly amount of \$41,314 is provided on Schedule LSM-2,
22 Page 6. In accordance with the Settlement Agreement dated October 4, 2012
23 and approved on January 25, 2013 by Order No. 25,458 in DE 11-105, UES

1 was allowed to recover \$1,152,493, plus interest beginning June 1, 2012,
2 through Non-G1 Default Service. Recovery of this adjustment will continue
3 through November 2015. As shown on Schedule LSM-2, Page 6, based on
4 the current prime interest rate of 3.25%, recovery of \$41,314 each month will
5 result in a zero balance at the end of November 2015.

6

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

9 A. The details of forecasted costs for the period June through November 2015 are
10 provided on Schedule LSM-3, Page 5. Costs include 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 Non-G1 Class (Residential) DS Supplier Charges, plus
16 Non-G1 Class (G2 and OL) DS Supplier Charges¹, plus GIS Support
17 Payments, as shown on Schedule LSM-2, Pages 3 and 5. It is calculated by
18 taking the product of Non-G1 Class (Residential) DS Supplier Charges plus
19 Non-G1 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments

¹ In actuals, the supplier charges are provided in total in the column "Total Non-G1 Class DS Supplier Charges".

1 and the number of days lag divided by 365 days (i.e. the working capital
2 requirement) and multiplying it 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, Pages 3 and 5. It is calculated by taking
6 the product of RECs and the number of days lead divided by 365 days (i.e. the
7 working capital requirement) and multiplying it by the prime rate.

8

9 The calculation of working capital included in the Power Supply Charge and
10 the RPS Charge for the period beginning June 1, 2015 both rely on the results
11 of the 2014 Default Service and Renewable Energy Credits Lead Lag Study,
12 presented by Mr. Coons. The Non-G1 class Power Supply Charge working
13 capital calculation uses 23.71 days and the Non-G1 class RPS Charge working
14 capital calculation uses (319.81) days.

15

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

17 A. The proposed G1 class DSC are comprised of two components, as shown on
18 Schedule LSM-1, Page 2: A Power Supply Charge and a Renewable Portfolio
19 Standard ("RPS") Charge. The wholesale supplier charge included in the Power
20 Supply Charge will be determined each month based on the sum of fixed monthly
21 adders and variable energy prices, and therefore, the total DSC for the G1 class is
22 not known at this time.

23

1 **Q. What is the proposed Power Supply Charge, exclusive of supplier charges,**
2 **and RPS Charge?**

3 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
4 excluding the supplier charge component, of (\$0.00490) (or (0.490¢)) per kWh in
5 June through November 2015. The wholesale supply charge determined each
6 month will be added to this amount to yield the monthly G1 class Power Supply
7 Charge.

8
9 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
10 \$0.00262 (or 0.262¢) per kWh in June through November 2015.

11
12 **Q. Have you prepared a comparison of the proposed G1 DSC to the current**
13 **rate?**

14 A. No. As the total G1 class DSC is not yet known, a comparison to current rates
15 was not performed.

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

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

1 Each charge is calculated by dividing the costs for each month, including a partial
2 reconciliation of costs and revenues through February 28, 2015, by the estimated
3 G1 kWh purchases for the corresponding month. An estimated loss factor of
4 4.591% is then added to arrive at the proposed retail charges.

5
6 Similar to the Non-G1 power supply and RPS balances, the G1 class power
7 supply and RPS reconciliation balances as of February 28, 2015 were adjusted in
8 order to determine the reconciliation amount for this filing. Adjustments were
9 made to reflect that the current DSC include reconciliation of the February 28,
10 2014 power supply and RPS balances, to incorporate the difference between the
11 estimated supplier cost and revenue in March 2015, and to adjust to account for
12 RPS. These adjustments are shown on Page 1 of Schedule LSM-4 and LSM-5.

13

14 **Q. Have you provided details on the reconciliation?**

15 A. Support for the February 28, 2015 G1 class power supply reconciliation balance is
16 provided on Schedule LSM-4, Page 2. Support for the February 28, 2015 G1
17 class RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As
18 described above, those figures have been adjusted in order to arrive at the figures
19 for collection beginning June 1, 2015. Details for costs for the period March 2014
20 through February 2015 are provided on Page 3 of Schedule LSM-4 and LSM-5.
21 Page 4 of Schedule LSM-4 and LSM-5 provides revenue details.

22

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

3 A. The details of forecasted costs included in the Power Supply Charge for the
4 period June through November 2015 are provided on Schedule LSM-4, Page
5 5. Line items for the various costs included in default service are shown and
6 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply
7 Related Working Capital, Provision for Uncollected Accounts, Internal
8 Company Administrative Costs, Legal Charges, Consulting Outside Service
9 Charges, and the default service portion of the annual PUC Assessment
10 allocated to the G1 Class. At the end of each month, UES will determine the
11 supplier charge to be added to the monthly Power Supply Charge.

12
13 **Q. Have you provided support for the total forecast costs shown on Page 1,**
14 **line 2 of Schedule LSM-5?**

15 A. The details of forecasted costs included in the RPS Charge for the period June
16 through November 2015 are provided on Schedule LSM-5, Page 5. Costs
17 include Renewable Energy Credits (“RECs”) and the associated Working
18 Capital.

19
20 **Q. How is working capital calculated?**

21 A. Working capital included in the Power Supply Charge equals the sum of
22 working capital for Total G1 Class DS Supplier Charges plus GIS Support
23 Payments and is shown on Schedule LSM-4, Pages 3 and 5. It is calculated

1 by taking the product of Total G1 Class DS Supplier Charges plus GIS
2 Support Payments and the number of days lag divided by 365 days (i.e. the
3 working capital requirement) and multiplying it by the prime rate. As the
4 Total G1 Class DS Supplier Charges for the upcoming rate period are not yet
5 known, UES has estimated power supply costs for the purpose of estimating
6 working capital. The estimate of power supply costs is based on the
7 forecasted G1 class kWh purchases and an estimated price per kWh. The
8 estimated price per kWh was determined by comparing a historical
9 relationship between G1 and Non-G1 class supplier pricing and then applying
10 that relationship to the current average Non-G1 supplier price per kWh.
11 Actual working capital will be determined using the actual supplier charges in
12 each month.

13
14 The calculation of working capital for RECs is included in the RPS Charge
15 and is shown on Schedule LSM-5, Pages 3 and 5. It is calculated by taking
16 the product of RECs and the number of days lead divided by 365 days (i.e. the
17 working capital requirement) and multiplying it by the prime rate.

18
19 The calculation of working capital included in the Power Supply Charge and
20 the RPS Charge both rely on the results of the 2014 Default Service and
21 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
22 Charge working capital calculation uses (9.24) days and the G1 class RPS
23 Charge working capital calculation uses (323.36) days.

1

2 **IV. BILL IMPACTS**

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

5 A. Typical bill impacts isolating the impact of changes to the DSC have been
6 provided in Schedule LSM-6. Total bill impacts to G1 customers are unknown at
7 this time and have therefore been excluded from Schedule LSM-6.

8

9 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
10 for the residential and General Service rate classes. These pages also show the
11 impact on a typical bill for each class in order to identify the effect of each rate
12 component on a typical bill.

13

14 Page 3 shows bill impacts to the residential class based on the mean and median
15 use. Page 3 is provided in a format similar to Pages 1 and 2.

16

17 Page 4 provides the overall average class bill impacts as a result of changes to the
18 DSC. As shown, for customers on Default Service, the residential class will
19 decrease by approximately 37.0%, general service will decrease by approximately
20 37.0%, and outdoor lighting will decrease by approximately 22.3%.

21

22 Pages 5 through 9 of Schedule LSM-6 provide typical bill impacts for all classes,
23 excluding G1, for a range of usage levels.

1

2 **V. CONCLUSION**

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

4 **A. Yes, it does.**

