

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF  
KAREN M. ASBURY

New Hampshire Public Utilities Commission

Docket No.: DE 08-

March 14, 2008

## TABLE OF CONTENTS

I. INTRODUCTION	Page 1
II. PURPOSE OF TESTIMONY	Page 2
III. SUMMARY OF TESTIMONY	Page 2
IV. STRANDED COST CHARGE	Page 3
V. EXTERNAL DELIVERY CHARGE	Page 9
VI. TARIFF CHANGES AND BILL IMPACTS	Page 12
VII. CONCLUSION	Page 13

## LIST OF SCHEDULES

- Schedule KMA-1: Stranded Cost Charge
- Schedule KMA-2: External Delivery Charge
- Schedule KMA-3: Redline Tariffs
- Schedule KMA-4: Bill Impacts

1    **I.       INTRODUCTION**

2    Q.     Please state your name and business address.

3    A.     My name is Karen M. Asbury. 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 Director of Regulatory Services for Unitil Service Corp. ("USC"), which  
8           provides centralized management and administrative services to all Unitil  
9           affiliates including Unitil Energy Systems, Inc. ("UES") and Unitil Power  
10          Corp. ("UPC").

11

12   Q.     Please describe your business and educational background.

13   A.     In 1987, I graduated *magna cum laude* from the University of New Hampshire  
14          with a Bachelor of Science Degree in Mathematics. I joined USC in January  
15          1988 and have held various positions in the regulatory/rate department. I have  
16          been involved in regulatory compliance and rate analysis for electric and gas  
17          utilities for over twenty years. In my current position, I am responsible for  
18          directing regulatory filings, pricing research, analysis, and design, tariff  
19          administration, revenue requirements and cost of service calculations,  
20          customer research, and other analytical services. I have attended several  
21          industry seminars and courses, including the Edison Electric Institute's  
22          Electric Rate Advanced Course at Indiana University.

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

3 A. Yes. I have testified on numerous occasions before the Commission. I have  
4 also testified before the Massachusetts Department of Public Utilities and  
5 participated in the preparation of filings for the Federal Energy Regulatory  
6 Commission ("FERC").

7

8 **II. PURPOSE OF TESTIMONY**

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

10 A. The purpose of my testimony is to present and explain the proposed changes  
11 to UES' Stranded Cost Charge ("SCC") and External Delivery Charge  
12 ("EDC"), effective May 1, 2008.

13

14 My testimony will focus on the reconciliation and rate development for the  
15 SCC and EDC. Mr. Francis X. Wells is sponsoring testimony which  
16 addresses the costs associated with each of these charges.

17

18 **III. SUMMARY OF TESTIMONY**

19 Q. Please summarize your testimony.

20 A. My testimony will provide support for the revisions to the SCC and EDC for  
21 effect May 1, 2008. I will explain the rate development for these mechanisms,

1 review the actual and estimated data included in each rate, describe the  
2 proposed tariff revisions, and provide bill impacts for each class.  
3

4 Q. Is UES proposing any other rate changes for effect May 1, 2008?

5 A. Yes. Simultaneous with this filing, UES is submitting to the Commission its  
6 Non-G1 and G1 class Default Service tariff filing in DE 08-015. In that filing,  
7 UES has proposed Default Service rates for its Non-G1 and G1 classes based  
8 on the winning bids, and proposed changes to its Default Service tariffs.  
9 While these proposals are being considered in a separate proceeding before  
10 the Commission, the proposed rates have been included in the typical bill  
11 comparisons in order to fully reflect all proposed changes to UES' rates  
12 effective May 1, 2008.  
13

14 **IV. STRANDED COST CHARGE**

15 Q. What is the SCC?

16 A. The SCC is the mechanism by which UES recovers UPC's stranded costs  
17 from retail customers. UPC's stranded costs are billed to UES in the form of  
18 Contract Release Payments through the Amended System Agreement.  
19

20 Q. What is UES' proposed SCC?

21 A. As shown on Schedule KMA-1, Page 1, UES is proposing a SCC of  
22 \$0.00882/kWh for its Residential, Regular General Service kWh meter,

1 General Service Quick Recovery Water Heating, Space Heating, and  
2 Controlled Off Peak Water Heating, and Outdoor Lighting classes,  
3 \$0.00298/kWh and \$1.55/kW for its Regular General Service G2 class, and  
4 \$0.00267/kWh and \$2.25/kVa for its Large General Service G1 class. The  
5 charges are proposed to become effective May 1, 2008.  
6

7 Q. How is the SCC calculated?

8 A. Schedule KMA-1, Page 1 provides the calculation for the SCC for all classes.  
9 The rate is calculated in accordance with UES' tariff, Schedule SCC. The  
10 class SCC obligations are calculated first based on a uniform per kWh charge,  
11 and then applied to each class based on an appropriate rate design. In addition  
12 to the energy based SCC, the Regular General Service G2 class and Large  
13 General Service G1 class also pay a demand based SCC, which was  
14 developed and approved in DE 06-042. In order to determine the energy  
15 based SCC, the calculated demand revenue is subtracted from the total  
16 revenue calculated based on a uniform charge.  
17

18 Q. How was the uniform per kWh rate for determining class SCC obligations  
19 calculated?

20 A. The uniform SCC is calculated by dividing the prior period (over)/under  
21 recovery as of April 30, 2008, plus the forecast of costs for the period May  
22 2008 through April 2009, plus interest for the same period, by calendar month

1 kWh sales for May 2008 through April 2009. This uniform rate is applied  
2 equally to all customer classes other than G2 and G1. This calculation is  
3 provided on Schedule KMA-1, Page 1.  
4

5 Q. How does the proposed SCC compare to the rate currently in effect?

6 A. The uniform rate is increasing by \$0.00032 per kWh. The increase is  
7 primarily due to an increase in the prior period reconciliation balance. The  
8 current total SCC (for all classes except for the G1 class) also includes a  
9 charge of \$0.00014 per kWh associated with the Transition Service Charge  
10 Balance. The G1 class' total SCC includes a credit of \$0.00119 per kWh for  
11 the Transition Service Charge Balance. As discussed below, after two years  
12 of separate reconciliations, UES proposes to now roll the total Transition  
13 Service Charge Balance for all classes into the SCC. Due to the removal of  
14 this charge, all classes except for G2 Demand and G1 will see an increase of  
15 \$0.00018 per kWh. The G2 Demand class will see an increase of \$0.00011  
16 per kWh. The G1 class will see an increase of \$0.00148 per kWh.  
17

18 Q. Have you provided a reconciliation of costs and revenues in the SCC?

19 A. Schedule KMA-1, Page 2, provides the reconciliation of costs and revenues  
20 for the two prior periods, May 2006 through April 2007 and May 2007  
21 through April 2008, while Page 3 provides the reconciliation for the forecast  
22 rate period, May 2008 through April 2009. Actual data is provided for May

1 2006 through January 2008 and estimated data is provided for the remainder  
2 of the period. This schedule summarizes the costs and revenues associated  
3 with stranded costs and provides the computation of interest which is  
4 calculated based on average monthly balances using the prime rate, as  
5 described in the tariff. The May 2008 beginning balance also includes the  
6 estimated ending balance in the Transition Service ("TS") Charge Balance.  
7

8 Q. Has the format of the schedules changed since the last filing?

9 A. Yes. UES has reformatted its schedules with months appearing in a vertical  
10 fashion, instead of horizontally across the page. These changes were made for  
11 presentation purposes and better accommodate the unbilled revenue  
12 calculation.  
13

14 Q. Have you provided any details on the Transition Service Charge Balance?

15 A. Yes. Schedule KMA-1, Pages 6 and 8, provide the Transition Service Charge  
16 Balance reconciliation for the Non-G1 and G1 classes, respectively, for the  
17 period May 2006 through April 2008. Pages 7 and 9 provide the Transition  
18 Service Charge Balance revenue for each class. These pages include actual  
19 data for the period May 2006 through January 2008 and estimated data for the  
20 remaining months.  
21



1 In its March 17, 2006 filing, DE 06-042, UES developed a class based rate for  
2 the Non-G1 and G1 class in order to credit the April 30, 2006 TSC balances,  
3 including revenue to be received in May 2006 related to Transition Service,  
4 via the SCC. Accordingly, the TSC balances were moved to a new  
5 reconciliation model for tracking purposes. Although it was intended for the  
6 credit to expire after one year, given the expected April 30, 2007 balances,  
7 UES continued with a new rate for the period May 1, 2007 through April 30,  
8 2008. UES is now proposing to roll the ending Transition Service Charge  
9 Balance into the SCC on May 1, 2008.

10  
11 Q. Have you provided detail on the monthly revenues shown on Pages 2 and 3 of  
12 Schedule KMA-1?

13 A. Yes, revenue detail is shown on Schedule KMA-1, Page 4 for the period May  
14 2006 through April 2007, May 2007 through April 2008, and May 2008  
15 through April 2009. Actual data is included for May 2006 through January  
16 2008 and the remaining months are forecast.

17  
18 Q. On Schedule KMA-1, Page 2 and Page 4, why are the months May 2006  
19 through December 2007 entitled "Recast"?

20 A. In its last annual reconciliation and rate filing (DE 07-035), UES agreed to  
21 include unbilled revenues for both stranded costs and external delivery  
22 charges going back to May 2006. These months are entitled "Recast" to

1 reflect that the figures have been restated to include unbilled revenue. The  
2 unbilled revenue has now been implemented on a going forward basis.

3  
4 Q. Have there been any changes to the determination of unbilled revenue since  
5 the last filing in DE 07-035?

6 A. Yes. In DE 07-035, the EDC and SCC were approved subject to Staff's  
7 ongoing review with regard to the method for calculating unbilled revenue for  
8 Default Service and adoption of a consistent calculation for the SCC and  
9 EDC. In its September 14, 2007 Default Service filing, UES implemented a  
10 revised methodology for Default Service. Accordingly, in this filing, UES has  
11 recast its revenue and reconciliation back to May 2006 calculating unbilled  
12 revenue in the same manner in which it developed unbilled revenue in its  
13 September 14, 2007 default service filing.

14  
15 Q. What is the new unbilled revenue calculation?

16 A. Unbilled revenue is calculated by applying an unbilled revenue factor to the  
17 billed kWh sales in the month, then multiplying by the effective SCC. The  
18 unbilled revenue factors have been developed using a direct estimation  
19 method. The method considers the effective number of days unbilled for the  
20 calendar month compared with the effective number of days in the billing  
21 cycle, along with the relative impact of weather for unbilled days compared  
22 with the impact of weather during the billing cycle.

1

2 Q. What is the impact of this change?

3 A. The SCC balance including TSC decreased by \$4,696. This amount was  
4 calculated by comparing the January 2007 net SCC and TSC balance from  
5 Exhibit No. 3 in DE 07-035 to the January 2007 net SCC and TSC balance in  
6 Schedule KMA-2. January 2007 was chosen since that was the last "actual"  
7 month presented in DE 07-035.

8

9 **V. EXTERNAL DELIVERY CHARGE**

10 Q. What is the EDC?

11 A. The EDC is the mechanism by which UES recovers the costs it incurs  
12 associated with providing transmission services outside UES' system and  
13 other costs for energy and transmission related services. For costs incurred  
14 after May 1, 2006, the costs included in the EDC exclude Default Service  
15 related external administrative charges, which have been moved for collection  
16 through the DSC, per the Settlement Agreement in DE 05-064 dated August  
17 11, 2005, and approved by the Commission in Order No. 24,511 on  
18 September 9, 2005.

19

20 Q. What is UES' proposed EDC?

1 A. Schedule KMA-2, Page 1, provides the proposed EDC of \$0.01131/kWh  
2 applicable to all classes. This charge is proposed to become effective May 1,  
3 2008.

4  
5 Q. How is the EDC calculated?

6 A. The EDC is calculated by summing the prior period (over)/under recovery as  
7 of April 30, 2008, plus the estimated EDC costs and associated interest for the  
8 period May 2008 through April 2009. The total is divided by estimated  
9 calendar month kWh sales for the period May 2008 through April 2009.

10

11 Q. How does the proposed EDC compare to the rate currently in effect?

12 A. The rate has increased by \$0.00434 per kWh. This increase is primarily due  
13 to increased costs as well as a swing in the prior period balance. The current  
14 rate includes an over-collection whereas the proposed rate includes an under-  
15 collection. The under-collection is mainly the result of increased costs,  
16 coupled with the inclusion of the Rate Case Surcharge balance in November  
17 2007 as well as slightly lower revenues than forecast. Mr. Wells' testimony  
18 provides further explanation regarding the increased costs in the both the  
19 forecasted and current period.

20

21 Q. Have you provided a reconciliation of costs and revenues in the EDC?

1 A. Schedule KMA-2, Page 2, provides the reconciliation of EDC costs and  
2 revenues for the two prior periods, May 2006 through April 2007 and May  
3 2007 through April 2008, while Page 3 provides the reconciliation for the  
4 forecast rate period, May 2008 through April 2009. Interest is computed on  
5 average monthly balances using the prime rate, as described in the tariff.  
6 These pages reflect actual data for the period May 2006 through January 2008  
7 and estimated data for the remainder of the period. UES has recast actual data  
8 for the months May 2006 through December 2007 in order to incorporate  
9 unbilled revenue, calculated in a similar manner as the SCC. Detail on  
10 monthly revenue is shown on Schedule KMA-2, Page 4.

11  
12 As noted in November 2007 on Page 2, the EDC includes the Rate Case  
13 Surcharge ("RCS") October 31, 2007 balance as approved by Secretarial  
14 Letter dated October 22, 2007 in DE 05-178. Billed revenue in November  
15 and December 2007, shown on Page 4, also includes any post-November 1  
16 RCS revenue, as noted. With this filing, the Commission directed UES to  
17 identify the final reconciliation of the temporary surcharge revenues and  
18 associated interest. Schedule KMA-2 Page 6 shows the reconciliation of the  
19 RCS for the period in which it was in effect, November 2006 through October  
20 2007. While the RCS expired on November 1, 2007, this schedule has been  
21 extended to include November 2007 through January 2008 in order to identify

1 the post-November 1, 2007 RCS revenues included in the EDC as well as the  
2 associated interest.

3

4 Q. What impact does the change in the unbilled revenue methodology have on  
5 the EDC?

6 A. The balance decreased by \$54,237. This amount was calculated by comparing  
7 the January 2007 balance from Exhibit No. 3 in DE 07-035 to the January  
8 2007 balance in Schedule KMA-2.

9

10 **VI. TARIFF CHANGES AND BILL IMPACTS**

11 Q. Has UES included tariff changes to reflect the proposed rate changes for effect  
12 May 1, 2008?

13 A. Schedule KMA-3, Page 1 and 2 are redline tariffs of the SCC and EDC. Note  
14 these pages are essentially the same as provided in Page 1 of Schedules KMA-  
15 1 and 2. UES has not included revised tariff Pages 4 and 5, Summary of  
16 Delivery Service Rates and Page 6, Summary of Low-Income Electric  
17 Assistance Program Discounts at this time. UES intends to update its rate  
18 summary pages in a compliance filing with all approved rate changes effective  
19 May 1, 2008.

20

21 Q. Have you included any bill impacts as a result of proposed rate changes  
22 effective May 1, 2008?

1 A. Yes, rate changes and bill impacts as a result of changes to the SCC, EDC,  
2 and DSC have been provided in Schedule KMA-4. Pages 1 through 3 provide  
3 a table comparing the existing rates to the proposed rates for all the rate  
4 classes. These pages also show the impact on a typical bill for each class in  
5 order to identify the effect of each rate component on a typical bill.

6  
7 Page 4 provides the overall average class bill impact as well as the impact  
8 associated with both filings. As shown, for customers on Default Service, the  
9 residential class will increase about 8.2%. Of this amount, 3.1% is related to  
10 changes in the SCC and EDC. General Service will increase about 8.3%, with  
11 3.1% of the total due to changes in the SCC and EDC. Large General Service  
12 will increase about 12.8%, with 4.1% of this amount due to changes in the  
13 SCC and EDC. Outdoor lighting will increase about 4.9%, with 1.8%  
14 attributable to the changes in the SCC and EDC.

15  
16 Pages 5 through 11 of Schedule KMA-4 provide typical bill impacts for all  
17 classes for a range of usage levels.

18

19 **VII. CONCLUSION**

20 Q. Does that conclude your testimony?

21 A. Yes, it does.