

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 09-009

August 28, 2009

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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 I 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' Default Service Charge ("DSC") effective November 1, 2009, as reflected
3 in the redline tariffs provided as Schedule LSM-1.
4

5 **III. RETAIL RATE CALCULATIONS**

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

7 A. As shown on Schedule LSM-1, Page 1, the proposed Non-G1 Fixed DSC is
8 \$0.09037 per kWh for the Non-G1 Class for the period November 1, 2009
9 through April 30, 2010. The proposed Non-G1 Variable DSC for this same
10 period are also shown on this page. The proposed Non-G1 class Fixed DSC has
11 also been incorporated into the Summary of Low-Income Electric Assistance
12 Program Discounts, shown on Page 3 of Schedule LSM-1.
13

14 The proposed DSC are comprised of two components, as shown on Schedule
15 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
16 ("RPS") Charge.
17

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

19 A. For the period November 1, 2009 through April 30, 2010, the proposed Non-G1
20 Fixed Power Supply Charge is \$0.08825 per kWh and the proposed Non-G1
21 Fixed RPS Charge is \$0.00212. Both of these figures, as well as the variable
22 amounts for the same period, are shown on Schedule LSM-1, Page 1.

1

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

3 A. The Non-G1 Fixed DSC of \$0.09037 per kWh is an increase of \$0.00419 per
4 kWh from the current DSC of \$0.08618 per kWh. This increase reflects the
5 higher contract costs for the period November 1, 2009 through April 30, 2010
6 compared to the contract costs for the current period, May 1, 2009 through
7 October 31, 2009.

8

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

10 A. The rate calculations for the Non-G1 class Power Supply Charges, Fixed and
11 Variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the
12 Non-G1 class RPS Charges, Fixed and Variable, are provided on Schedule LSM-
13 3, Page 1. Both charges are calculated in the same manner.

14

15 The Variable Charge is calculated by dividing the total costs for the month,
16 including a partial reconciliation of costs and revenues through January 31, 2009¹,

¹ In its March 13, 2009 filing, UES provided the Non-G1 Class reconciliation balance as of January 31, 2009, as adjusted, in the amount of (\$17,533). UES apportioned the balance of (\$17,533) based on kWh over the twelve month period May 2009 through April 2010 as follows: (\$8,679) in May-October 2009 and (\$8,854) in November 2009-April 2010. As shown on Schedule LSM-2, Page 1, the reconciliation amount used in this filing is (\$8,854). The RPS

1 by the estimated monthly Non-G1 kWh purchases. An estimated loss factor of
2 6.4% is then added to arrive at the proposed retail Variable Charges. The Fixed
3 Charge is calculated in a similar manner, except that the calculation is based on
4 totals for the entire six month period.
5

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

8 A. The details of forecasted costs for the period November 2009 through April
9 2010 are provided on Schedule LSM-2, Page 2. Line items for the various
10 costs included in default service are shown and include: Total Non-G1 Class
11 DS Supplier Charges, GIS Support Payments, Supply Related Working
12 Capital, Provision for Uncollected Accounts, Internal Company
13 Administrative Costs, Legal Charges, and Consulting Outside Service
14 Charges.
15

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

Charge includes a \$0 reconciliation balance, as provided on Schedule LSM-3, Page 1. The first
reconciliation date for the RPS Charge will be May 1, 2010.

1 A. The details of forecasted costs for the period November 2009 through April
2 2010 are provided on Schedule LSM-3, Page 2. Costs include Renewable
3 Energy Credits ("RECs") and the associated working capital.
4

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

6 A. Working capital included in the Power Supply Charge equals the sum of
7 working capital for Total Non-G1 Class DS Supplier Charges plus GIS
8 Support Payments, as shown on Schedule LSM-2, Page 2. It is calculated by
9 multiplying the product of Total Non-G1 Class DS Supplier Charges plus GIS
10 Support Payments and the number of days lag divided by 365 days (i.e. the
11 working capital requirement) by the prime rate.
12

13 The calculation of working capital for RECs is included in the RPS Charge
14 and is shown on Schedule LSM-3, Page 2. It is calculated by multiplying the
15 product of RECs and the number of days lead divided by 365 days (i.e. the
16 working capital requirement) by the prime rate.
17

18 The calculation of working capital included in the Power Supply Charge and
19 the RPS Charge both rely on the results of the 2008 Default Service and
20 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
21 Charge working capital calculation uses 16.81 days and the Non-G1 class RPS
22 Charge working capital calculation uses (312.14) days.

1
2 **Q. Has UES included its annual update to internal company administrative**
3 **costs associated with providing default service?**

4 A. Yes. The updated internal company administrative costs associated with
5 providing default service proposed for effect November 1, 2009 are provided
6 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
7 identically to those submitted as part of the update last year.

8
9 The Settlement Agreement in DE 05-064 allows UES to update these costs
10 annually based on changes to labor costs and associated overheads. The labor
11 hours allocated to DS reflect test year values and are not adjusted. UES has
12 used an overhead rate of 103% based on the average for calendar year 2008.
13 The updated labor costs by department are detailed on Schedule LSM-6, Page
14 2 of 2.

15
16 As shown on Page 1 of 2, the revised internal administrative costs associated
17 with providing DS are \$63,536. \$25,417 of that amount is attributable to the
18 Non-G1 class and \$38,119 is attributable to the G1 class. The current internal
19 administrative costs associated with providing DS are \$70,834, with \$28,386
20 attributable to the Non-G1 class and \$42,447 attributable to the G1 class.

21
22 **Q. What is the proposed G1 Class DSC?**

1 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable DSC of \$0.07207 per
2 kWh in November 2009, \$0.08249 per kWh in December 2009, and \$0.09297 per
3 kWh in January 2010. There is no fixed option DSC for the G1 class.

4
5 The proposed DSC are comprised of two componets, as shown on Schedule LSM-
6 1, Page 2: A Power Supply Charge and a Renewable Portfolio Standard ("RPS")
7 Charge.

8
9 **Q. What is the proposed Power Supply Charge and RPS Charge?**

10 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable Power Supply Charges
11 of \$0.07035 per kWh in November 2009, \$0.08077 per kWh in December 2009,
12 and \$0.09073 per kWh in January 2010.

13
14 Also shown on Schedule LSM-1, Page 2, is the proposed G1 Variable RPS
15 Charge of \$0.00172 per kWh in November and December 2009 and \$0.00224
16 per kWh in January 2010.

17
18 **Q. How do the G1 DSC compare to the current rate?**

19 A. The current DSC, based on a simple three-month average, is \$0.07205 per kWh.
20 The proposed rate, based on a simple three-month average, is \$0.08251 per kWh.
21 This is an increase of \$0.01046 per kWh, on average, from the current rate. The
22 increase reflects current market prices.

1
2 **Q. Please describe the calculation of the G1 class DSC.**

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

7
8 The Variable Charge is calculated by dividing the costs for each month, including
9 a partial reconciliation of costs and revenues through January 31, 2009², by the
10 estimated G1 kWh purchases for the corresponding month. An estimated loss
11 factor of 4.591% is then added to arrive at the proposed retail Variable Charges.

12
13 **Q. Have you provided support for the total forecast costs shown on Page 1,**
14 **line 2 of Schedule LSM-4?**

² In its March 13, 2009 filing, UES provided the G1 Class reconciliation balance as of January 31, 2009, as adjusted, in the amount of \$431,605. UES apportioned this balance based on kWh over the twelve month period May 2009 through April 2010 as follows: \$106,040 in May-July 2009, \$115,111 in August-October 2009, \$106,227 in November 2009-January 2010, and \$104,227 in February-April 2010. As shown on Schedule LSM-4, Page 1, the reconciliation amount used in this filing is \$106,227. The RPS Charge includes a \$0 reconciliation balance, as provided on Schedule LSM-5, Page 1. The first reconciliation date for the RPS Charge will be May 1, 2010.

1 A. The details of forecasted costs included in the Power Supply Charge for the
2 period November 2009 through January 2010 are provided on Schedule LSM-
3 4, Page 2. Line items for the various costs included in default service are
4 shown and include: Total G1 Class DS Supplier Charges, GIS Support
5 Payments, Supply Related Working Capital, Provision for Uncollected
6 Accounts, Internal Company Administrative Costs, Legal Charges, and
7 Consulting Outside Service Charges.

8

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

11 A. The details of forecasted costs included in the RPS Charge for the period
12 November 2009 through January 2010 are provided on Schedule LSM-5, Page
13 2. Costs include Renewable Energy Credits ("RECs") and the associated
14 Working Capital.

15

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

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

1
2 The calculation of working capital for RECs is included in the RPS Charge
3 and is shown on Schedule LSM-5, Page 2. It is calculated by multiplying the
4 product of RECs and the number of days lead divided by 365 days (i.e. the
5 working capital requirement) by the prime rate.

6
7 The calculation of working capital included in the Power Supply Charge and
8 the RPS Charge both rely on the results of the 2008 Default Service and
9 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
10 Charge working capital calculation uses 7.06 days and the G1 class RPS
11 Charge working capital calculation uses (322.48) days.

12
13 **IV. BILL IMPACTS**

14 **Q. Have you included any bill impacts associated with the proposed rate**
15 **changes?**

16 **A.** Schedule LSM-7 provides typical bill impacts as a result of changes to the DSC.

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

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

3

4 Page 5 provides the overall average class bill impacts as a result of changes to the
5 DSC. As shown, for customers on Default Service, the residential class average
6 bill will increase about 2.9%. General Service (G2) average bills will increase
7 about 3.0%. Large General Service (G1) average bills will increase about 9.5%.
8 Outdoor lighting average bills will increase about 1.7%.

9

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

12

13 **V. CONCLUSION**

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

15 **A.** Yes, it does.