UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No. DE 09-009

December 11, 2009

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LIST OF SCHEDULES

I. INTRODUCTION

Q. Please state your name and business address.

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

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

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

Q. Please describe your business and educational background.

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

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

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my testimony is to present and explain the proposed changes to UES' G1 Large General Service Class Default Service Charge ("DSC") effective February 1, 2010, as reflected in the redline tariff provided as Schedule LSM-1.

III. RETAIL RATE CALCULATIONS

Q. What is the proposed G1 Class DSC?

A. Schedule LSM-1, Page 1, shows the proposed G1 Variable DSC of $0.09517 per kWh in February 2010, $0.08549 per kWh in March 2010, and $0.08369 per kWh in April 2010. There is no fixed option DSC for the G1 class.

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

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

A. Schedule LSM-1, Page 1, shows the proposed G1 Variable Power Supply Charges of $0.09297 per kWh in February 2010, $0.08329 per kWh in March 2010, and $0.08149 per kWh in April 2010.

Also shown on Schedule LSM-1, Page 1, is the proposed G1 Variable RPS Charge of $0.00220 per kWh in February, March and April 2010. As stated above, the total proposed default service charges are $0.09517, $0.08549, and

$0.08369 per kWh in February, March, and April 2010, respectively, which are the sum of the Power Supply and the RPS Charges for each month.

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

A. The current DSC, based on a simple three-month average, is $0.08251 per kWh. The proposed rate, based on a simple three-month average, is $0.08812 per kWh. This is an increase of $0.00561 per kWh, on average, from the current rate. The increase reflects current market prices.

Q. Please describe the calculation of the G1 class DSC.

A. The rate calculations for the Variable Power Supply Charges are provided on Schedule LSM-2, Page 1. The rate calculations for the Variable RPS Charges are provided on Schedule LSM-3, Page 1. Both charges are calculated in the same manner.

The Variable Charge is calculated by dividing the costs for each month, including a partial reconciliation of costs and revenues through January 31, 2009[1], by the

[1] 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-2, Page 1, the reconciliation

estimated G1 kWh purchases for the corresponding month. An estimated loss factor of 4.591% is then added to arrive at the proposed retail Variable Charges.

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

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

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

A. The details of forecasted costs included in the RPS Charge for the period February through April 2010 are provided on Schedule LSM-3, Page 2. Costs

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amount used in this filing is $104,227. The RPS 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.

include Renewable Energy Credits ("RECs") and the associated Working Capital.

Q. How is working capital calculated?

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

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

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

IV. BILL IMPACTS

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

A. Schedule LSM-4 provides typical bill impacts as a result of changes to the G1 Class DSC. Page 1 provides a table comparing existing rates to the proposed rates for the G1 class, as well as the impact on a G1 class typical bill. Page 2 of Schedule LSM-4 provides the typical bill impacts for the G1 class for a range of usage levels, comparing proposed rates to current rates. As shown, G1 class customers who do not choose a competitive supplier will see increases ranging from 4.0 to 4.9 percent depending upon usage. These impact analyses are based upon the simple three-month average DSC. Page 3 of Schedule LSM-4 is a comparison of the proposed rates to rates in effect during the same period last year. Similar to Page 2, it provides the typical bill impacts for the G1 class for a range of usage levels and the DSC used is based upon the simple three-month average. As shown, G1 class customers who do not choose a competitive supplier will see decreases of approximately 11.2 percent compared to last year, primarily due to lower default service prices.

V. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.