

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 15-079

October 2, 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 December 1, 2015, as reflected
3 in the redline tariffs provided as Schedule LSM-1.
4

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

6 A. Yes. Schedule LSM-1, Page 4 of 4, provides the Summary of Low-Income
7 Electric Assistance Program Discounts, incorporating the proposed December 1
8 Non-G1 (Residential) DSC.
9

10 **III. RETAIL RATE CALCULATIONS**

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

12 A. As shown on Schedule LSM-1, Page 2, the proposed Residential Class fixed Non-
13 G1 DSC is \$0.09409 (9.409¢) per kWh and the proposed G2 and Outdoor
14 Lighting ("OL") Class fixed Non-G1 DSC is \$0.09131 (9.131¢) per kWh for the
15 period December 1, 2015 through May 31, 2016. The proposed Residential Class
16 variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1 DSC
17 for this same period are also shown on this page.
18

19 The proposed DSC are comprised of two components, as shown on Schedule
20 LSM-1, Page 2: A Power Supply Charge and a Renewable Portfolio Standard
21 ("RPS") Charge.
22

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

1 A. For the period December 1, 2015 through May 31, 2016, the proposed Residential
2 Class fixed Non-G1 Power Supply Charge is \$0.08905 (8.905¢) per kWh, the
3 proposed G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.08627
4 (8.627¢) per kWh, and the proposed fixed Non-G1 RPS Charge is \$0.00504
5 (0.504¢) per kWh. These figures, as well as the variable amounts for the same
6 period, are shown on Schedule LSM-1, Page 2.

7
8 **Q. How do the proposed Non-G1 fixed DSC rates compare to the Non-G1 fixed**
9 **DSC rates in effect last winter?**

10 A. The Residential Class fixed Non-G1 DSC in effect last winter, December 2014
11 through May 2016, was \$0.15544 (15.544¢) per kWh. The proposed Residential
12 Class fixed Non-G1 DSC of \$0.09409 (9.409¢) per kWh is a decrease of
13 \$0.06135 (6.135¢) per kWh.

14
15 The G2 and OL Class fixed Non-G1 DSC in effect last winter, December 2014
16 through May 2016, was \$0.15265 (15.265¢) per kWh. The proposed G2 and OL
17 Class fixed Non-G1 DSC of \$0.09131 (9.131¢) per kWh is a decrease of
18 \$0.06134 (6.134¢) per kWh.

19
20 **Q. How do the proposed Non-G1 fixed DSC rates compare to the current rate?**

21 A. The proposed Residential Class fixed Non-G1 DSC of \$0.09409 (9.409¢) per
22 kWh is an increase of \$0.02488 (2.488¢) per kWh from the current DSC of
23 \$0.06921 (6.921¢) per kWh. The proposed G2 and OL Class fixed Non-G1 DSC

1 of \$0.09131 (9.131¢) per kWh is an increase of \$0.02138 (2.138¢) per kWh from
2 the current DSC of \$0.06993 (6.993¢) per kWh. These increases reflect higher
3 contract costs for the period December 1, 2015 through May 31, 2016 compared
4 to the contract costs for the current period June 1, 2015 through November 30,
5 2015.

6

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

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

12

13 Variable pricing is calculated by dividing the total costs for the month, including a
14 partial reconciliation of costs and revenues through February 28, 2015¹, by the
15 estimated monthly kWh purchases for the Residential Class and the G2 and OL
16 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed

¹ In its April 2015 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2015 to be (\$178,674) which is shown on Schedule LSM-2, Page 1. UES provided the portion of the Non-G1 Class RPS Charge reconciliation balance for recovery effective December 1, 2015 to be (\$511,822) which is shown on Schedule LSM-3, Page 1.

1 retail variable charges. Fixed pricing is calculated in a similar manner, except
2 that the calculation is based on each class's total for the entire six month period.
3

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

6 A. The details of forecasted costs for the period December 2015 through May
7 2016 are provided on Schedule LSM-2, Page 2. Line items for the various
8 costs included in default service are shown and include: Non-G1 Class
9 (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier
10 Charges, GIS Support Payments, Supply Related Working Capital, Provision
11 for Uncollected Accounts, Internal Company Administrative Costs, Legal
12 Charges, Consulting Outside Service Charges, and the default service portion
13 of the annual PUC Assessment allocated to the Non-G1 Class.
14

15 **Q. Do the proposed rates include the adjustment to recover default service**
16 **related costs associated with the customer billing adjustment in DE 11-**
17 **105?**

18 A. No, they do not. Recovery of those costs will be completed in November
19 2015, and therefore this default service billing adjustment will no longer be
20 charged as a component of rates when the new rates go into effect on
21 December 1, 2015.
22

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

3 A. The details of forecasted costs for the period December 2015 through May
4 2016 are provided on Schedule LSM-3, Page 2. Costs include RECs and the
5 associated working capital.

6
7 **Q. How is working capital calculated?**

8 A. Working capital included in the Power Supply Charge equals the sum of
9 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus
10 Non-G1 Class (G2 and OL) DS Supplier Charges, plus GIS Support
11 Payments, as shown on Schedule LSM-2, Page 2. It is calculated by taking
12 the product of Non-G1 Class (Residential) DS Supplier Charges plus Non-G1
13 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments and the
14 number of days lag divided by 365 days (i.e. the working capital requirement)
15 and multiplying it by the prime rate.

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

21
22 The calculation of working capital included in the Power Supply Charge and
23 the RPS Charge both rely on the results of the 2014 Default Service and

1 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
2 Charge working capital calculation uses 23.71 days and the Non-G1 class RPS
3 Charge working capital calculation uses (319.81) days.
4

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

7 A. Yes. The updated internal company administrative costs associated with
8 providing default service proposed for effect December 1, 2015 are provided
9 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
10 identically to those submitted as part of the update last year.
11

12 The Settlement Agreement in DE 05-064 allows UES to update these costs
13 annually based on changes to labor costs and associated overheads. The labor
14 hours allocated to DS reflect test year values and are not adjusted. UES has
15 used an overhead rate of 108.33% based on the average for calendar year
16 2014. The updated labor costs by department are detailed on Schedule LSM-
17 6, Page 2 of 2.
18

19 As shown on Page 1 of 2, the revised internal administrative costs associated
20 with providing DS are \$74,826. \$29,567 of that amount is attributable to the
21 Non-G1 class and \$45,259 is attributable to the G1 class. The current internal
22 administrative costs associated with providing DS are \$69,616, with \$27,641
23 attributable to the Non-G1 class and \$41,975 attributable to the G1 class.

1

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

3 A. The proposed G1 class DSC are comprised of two components, as shown on
4 Schedule LSM-1, Page 3: A Power Supply Charge and a Renewable Portfolio
5 Standard (“RPS”) Charge. The wholesale supplier charge included in the Power
6 Supply Charge will be determined each month based on the sum of fixed monthly
7 adders and variable energy prices, and therefore, the total DSC for the G1 class is
8 not known at this time.

9

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

12 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
13 excluding the supplier charge component, of (\$0.00972), or (0.972¢), per kWh in
14 December 2015 through May 2016. The wholesale supply charge determined
15 each month will be added to this amount to yield the monthly G1 class Power
16 Supply Charge.

17

18 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
19 \$0.00158 (0.158¢) per kWh in December 2015 and \$0.00538 (0.538¢) per kWh in
20 January through May 2016.

21

22 **Q. Have you prepared a comparison of the proposed G1 DSC to the current**
23 **rate?**

1 A. No. As the total G1 class DSC is not yet known, a comparison to current rates
2 was not performed.
3

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

5 A. The rate calculations for the Power Supply Charges, excluding wholesale supplier
6 charges, are provided on Schedule LSM-4, Page 1. The rate calculations for the
7 RPS Charges are provided on Schedule LSM-5, Page 1. Both charges are
8 calculated in the same manner.
9

10 Each charge is calculated by dividing the costs for each month, including a partial
11 reconciliation of costs and revenues through February 28, 2015², by the estimated
12 G1 kWh purchases for the corresponding month. An estimated loss factor of
13 4.591% is then added to arrive at the proposed retail charges.
14

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

² In its April 2015 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2015 to be (\$217,072) which is shown on Schedule LSM-4, Page 1. UES provided the portion of the G1 Class RPS Charge reconciliation balance for recovery effective December 1, 2015 to be (\$40,632) which is shown on Schedule LSM-5, Page 1.

1 A. The details of forecasted costs included in the Power Supply Charge for the
2 period December 2015 through May 2016 are provided on Schedule LSM-4,
3 Page 2. Line items for the various costs included in default service are shown
4 and include: Total G1 Class DS Supplier Charges, GIS Support Payments,
5 Supply Related Working Capital, Provision for Uncollected Accounts,
6 Internal Company Administrative Costs, Legal Charges, Consulting Outside
7 Service Charges, and the default service portion of the annual PUC
8 Assessment allocated to the G1 Class. At the end of each month, UES will
9 determine the supplier charge to be added to the monthly Power Supply
10 Charge.

11
12 **Q. Have you provided support for the total forecast costs shown on Page 1,**
13 **line 2 of Schedule LSM-5?**

14 A. The details of forecasted costs included in the RPS Charge for the period
15 December 2015 through May 2016 are provided on Schedule LSM-5, Page 2.
16 Costs include Renewable Energy Credits (“RECs”) and the associated
17 Working Capital.

18
19 **Q. How is working capital calculated?**

20 A. Working capital included in the Power Supply Charge equals the sum of
21 working capital for Total G1 Class DS Supplier Charges plus GIS Support
22 Payments and is shown on Schedule LSM-4, Page 2. It is calculated by taking
23 the product of Total G1 Class DS Supplier Charges plus GIS Support

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

11
12 The calculation of working capital for RECs is included in the RPS Charge
13 and is shown on Schedule LSM-5, Page 2. It is calculated by taking the
14 product of RECs and the number of days lead divided by 365 days (i.e. the
15 working capital requirement) and multiplying it by the prime rate.

16
17 The calculation of working capital included in the Power Supply Charge and
18 the RPS Charge both rely on the results of the 2014 Default Service and
19 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
20 Charge working capital calculation uses (9.24) days and the G1 class RPS
21 Charge working capital calculation uses (323.36) days.

1 **IV. BILL IMPACTS**

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

4 A. Typical bill impacts for Non-G1 customers taking default service have been
5 provided on Schedule LSM-7. Total bill impacts to G1 customers are unknown at
6 this time and have therefore been excluded from Schedule LSM-7.

7
8 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
9 for the residential and General Service rate classes. These pages also show the
10 impact on a typical bill for each class in order to identify the effect of each rate
11 component on a typical bill.

12
13 Page 3 shows bill impacts versus current rates to the residential class based on the
14 mean and median use. Page 3 is provided in a format similar to Pages 1 and 2.

15
16 Page 4 provides the overall average class bill impacts as a result of changes to the
17 DSC versus current rates. As shown, for customers on Default Service, the
18 residential class will increase by approximately 16.6%, general service will
19 increase by approximately 14.9%, and outdoor lighting will increase by
20 approximately 7.4%.

21
22 Pages 5 through 9 of Schedule LSM-7 provide typical bill impacts versus current
23 rates for all classes, excluding G1, for a range of usage levels.

1

2 Pages 10 and 11 provide a table comparing rates in effect in December 2014 to
3 the proposed rates for the residential and General Service rate classes. These
4 pages also show the impact on a typical bill for each class in order to identify the
5 effect of each rate component on a typical bill. Most Non-G1 customers taking
6 fixed default service will see decreases of 25 to 26% compared to last winter, due
7 to the decrease in the DSC.

8

9 **V. CONCLUSION**

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

11 A. Yes, it does.

