

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF  
LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No.: DE 15-

June 17, 2015

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## LIST OF SCHEDULES

Schedule LSM-1: Stranded Cost Charge

Schedule LSM-2: External Delivery Charge

Schedule LSM-3: Redline Tariffs

Schedule LSM-4: Bill Impacts

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 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, price  
15 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  
2 to UES's Stranded Cost Charge ("SCC") and External Delivery Charge  
3 ("EDC"), effective August 1, 2015.

4  
5 My testimony will focus on the reconciliation and rate development for the  
6 SCC and EDC. I will explain the rate development for these mechanisms,  
7 review the actual and estimated data included in each rate, describe the  
8 proposed tariff revisions, and provide bill impacts for each class. Mr. Todd  
9 M. Bohan is sponsoring testimony which addresses the costs associated with  
10 each of these charges.

11

12 **III. STRANDED COST CHARGE**

13 Q. What is the SCC?

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

17

18 Q. What is UES's proposed SCC?

19 A. As shown on Schedule LSM-1, Page 1, UES is proposing a SCC of  
20 \$0.00018/kWh (or 0.018¢/kWh) for its Residential, Regular General Service  
21 kWh meter, General Service Quick Recovery Water Heating, Space Heating,  
22 and Controlled Off Peak Water Heating, and Outdoor Lighting classes,

1 \$0.00004/kWh (or 0.004¢/kWh) and \$0.04/kW for its Regular General  
2 Service G2 class, and \$0.00005/kWh (or 0.005¢/kWh) and \$0.05/kVa for its  
3 Large General Service G1 class. The rates are proposed to become effective  
4 August 1, 2015.

5

6 Q. How is the SCC calculated?

7 A. Schedule LSM-1, Page 1 provides the calculation for the SCC for all classes.

8 The rate is calculated in accordance with UES's tariff, Schedule SCC. The  
9 class SCC obligations are calculated first based on a uniform per kWh charge,  
10 and then applied to each class based on an appropriate rate design. In addition  
11 to the energy based SCC, the Regular General Service G2 class and Large  
12 General Service G1 class also incur a demand based SCC. For these classes,  
13 UES used the ratio of demand and energy revenue under current rates to  
14 develop the demand and energy components of the SCC for effect August 1,  
15 2015, similar to the method used in last year's filing.

16

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

19 A. The uniform SCC is calculated by dividing the prior period (over)/under  
20 recovery as of July 31, 2015, plus the forecast of costs for the period August  
21 2015 through July 2016, plus interest for the same period, by calendar month  
22 kWh sales for August 2015 through July 2016. This uniform rate is applied

1           equally to all customer classes other than G2 and G1. This calculation is  
2           provided on Schedule LSM-1, Page 1.

3

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

5   A.    The proposed rates are unchanged from the current rates.

6

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

8   A.    Schedule LSM-1, Page 2, provides the reconciliation of costs and revenues for  
9           the two prior periods, August 2013 through July 2014 and August 2014  
10          through July 2015, while Page 3 provides the reconciliation for the forecast  
11          rate period, August 2015 through July 2016. Actual data is provided for  
12          August 2013 through April 2015 and estimated data is provided for the  
13          remaining months. This schedule summarizes the costs and revenues  
14          associated with stranded costs and provides the computation of interest, which  
15          is calculated based on average monthly balances using the prime rate, as  
16          described in the tariff.

17

18   Q.    Have you provided detail on the monthly revenues shown on Pages 2 and 3 of  
19          Schedule LSM-1?

20   A.    Yes, revenue detail is shown on Schedule LSM-1, Page 4 for the period  
21          August 2013 through July 2014, August 2014 through July 2015, and August

1           2015 through July 2016. Actual data is included for August 2013 through  
2           April 2015 and the remaining months are forecast.

3

4   Q.    Has UES included information with its SCC regarding the customer billing  
5           adjustment approved in DE 11-105?

6   A.    In accordance with the Settlement Agreement dated October 4, 2012 and  
7           approved on January 25, 2013 by Order No. 25,458 in DE 11-105, UES was  
8           allowed to recover through its Stranded Cost Charge \$103,557, plus interest  
9           beginning June 1, 2012. Recovery of this adjustment will end in July 2015,  
10          and hence, the proposed rates for effect August 1, 2015 no longer include this  
11          adjustment. Details of the customer billing adjustment collected through the  
12          SCC are provided on Schedule LSM-1, Page 6.

13

14   **IV.   EXTERNAL DELIVERY CHARGE**

15   Q.    What is the EDC?

16   A.    The EDC is the mechanism by which UES recovers the costs it incurs  
17          associated with providing transmission services outside UES's system and  
18          other costs for energy and transmission related services. For costs incurred  
19          after May 1, 2006, the costs included in the EDC exclude Default Service  
20          related external administrative charges, which have been moved for collection  
21          through the DSC, per the Settlement Agreement in DE 05-064 dated August  
22          11, 2005, and approved by the Commission in Order No. 24,511 on

1           September 9, 2005. Beginning May 1, 2011, as approved in DE 10-055, UES  
2           also recovers working capital associated with Other Flow-Through Operating  
3           Expenses and the Non-Distribution Portion of the annual NHPUC assessment  
4           and as part of the EDC. Effective July 1, 2014, in accordance with RSA 363-  
5           A:6, the Non-Distribution Portion of the annual NHPUC assessment is  
6           modified to recover charges/credits in excess of the total NHPUC Assessment,  
7           less amounts charged to base distribution and Default Service.

8  
9           In addition, the EDC includes the over- or under-collection from the  
10          Company's Vegetation Management Program and Reliability Enhancement  
11          Program for calendar years 2013, 2014 and 2015 in accordance with Order  
12          No. 25,656 in DE 14-063, and the rebate of excess Regional Greenhouse Gas  
13          Initiative ("RGGI") auction proceeds applicable to all retail electric customers  
14          in accordance with Order No. 25,664 in DE 14-048.

15

16   Q.     What is UES's proposed EDC?

17   A.     Schedule LSM-2, Page 1, provides the proposed EDC of \$0.02131/kWh (or  
18          2.131¢/kWh) applicable to all classes. This charge is proposed to become  
19          effective August 1, 2015.

20

21   Q.     How is the EDC calculated?



1 A. The EDC is calculated by summing the prior period (over)/under recovery as  
2 of July 31, 2015, plus the estimated EDC costs and associated interest for the  
3 period August 2015 through July 2016. The total is divided by estimated  
4 calendar month kWh sales for the period August 2015 through July 2016.

5

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

7 A. The rate has increased by \$0.00279 (or 0.279¢) per kWh. This increase is  
8 primarily due to increases in the cost of Regional Transmission and Operating  
9 Entities.

10

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

12 A. Schedule LSM-2 provides the reconciliation of EDC costs and revenues. Page  
13 2 provides the reconciliation for the two prior periods, August 2013 through  
14 July 2014 and August 2014 through July 2015. As noted, May 2014 includes  
15 a reconciliation of (\$760,108) associated with the Company's Vegetation  
16 Management Program (VMP) and Reliability Enhancement Program (REP),  
17 approved in Order No. 25,656. May 2015 includes, as an estimate, (\$452,052)  
18 VMP/REP reconciliation balance pending approval in DE 15-082.

19

20 Page 3 of Schedule LSM-2 provides the reconciliation for the forecast rate  
21 period, August 2015 through July 2016. Interest is computed on average  
22 monthly balances using the prime rate, as described in the tariff. These pages

1 reflect actual data for the period August 2013 through April 2015 and  
2 estimated data for the remainder of the period. Detail on monthly revenue is  
3 shown on Schedule LSM-2, Pages 4 and 5.

4

5 Q. Has UES included information with its EDC regarding the customer billing  
6 adjustment approved in DE 11-105?

7 A. Yes. Similar to the SCC, UES was allowed to recover the EDC portion of the  
8 customer billing adjustment in its EDC. Details of this adjustment, showing  
9 the expiration of these costs at the end of July 2015, are provided on Schedule  
10 LSM-2, Page 7. The proposed EDC for effect August 1, 2015 no longer  
11 includes this adjustment.

12

13 **V. TARIFF CHANGES AND BILL IMPACTS**

14 Q. Has UES included tariff changes to reflect the proposed rate changes for effect  
15 August 1, 2015?

16 A. Schedule LSM-3, Page 1 and 2 are redline tariffs of the SCC and EDC.  
17 Please note that these pages are essentially the same as provided in Page 1 of  
18 Schedules LSM-1 and 2. The proposed SCC and EDC are both incorporated  
19 into revised tariff Pages 4 and 5, Summary of Delivery Service Rates and  
20 Page 6, Summary of Low-Income Electric Assistance Program Discounts  
21 which are provided on pages 3, 4, and 5, respectively, of Schedule LSM-3.  
22 Schedule LSM-3, Page 6 of 6, is a revised Schedule EDC. Changes were

1 made to Schedule EDC, in accordance with RSA 363-A:6, to modify how the  
2 amount of the NHPUC assessment included in the EDC is determined.

3

4 Q. Have you included any bill impacts as a result of proposed rate changes  
5 effective August 1, 2015?

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

11

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

14

15 Page 5 provides the overall average class bill impact as well as the impact  
16 associated with both filings. As shown, for customers on Default Service, the  
17 residential class average bill will increase about 1.9%. General Service (G2)  
18 average bills will increase about 2.0%. Large General Service (G1) average  
19 bills will increase about 3.3%. Outdoor lighting average bills will increase  
20 about 1.0%.

21

1           Pages 6 through 11 of Schedule LSM-4 provide typical bill impacts for all  
2           classes for a range of usage levels.

3

4   **VI. CONCLUSION**

5   Q.    Does that conclude your testimony?

6   A.    Yes, it does.