UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No.: DE 19-

June 14, 2019

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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 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, 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's Stranded Cost Charge ("SCC") and External Delivery Charge ("EDC"), effective August 1, 2019.

My testimony will focus on the reconciliation and rate development for the SCC and EDC. I will explain the rate development for these mechanisms, review the actual and estimated data included in each rate, describe the proposed tariff revisions, and provide bill impacts for each class. Ms. Lisa Glover is sponsoring testimony which addresses the costs associated with each of these charges. Mr. Douglas Debski has provided testimony to explain the calculation of displaced distribution revenue associated with net metering for 2018, which is included for recovery in the proposed EDC.

III. STRANDED COST CHARGE

Q. What is the SCC?

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

Q. What is UES's proposed SCC?

A. As shown on Schedule LSM-1, Page 1, UES is proposing a SCC of ($0.00012)/kWh, or (0.012¢)/kWh, for its Residential, Regular General

Service kWh meter, General Service Quick Recovery Water Heating, Space Heating, and Controlled Off Peak Water Heating, and Outdoor Lighting classes, ($0.00002)/kWh, or (0.002¢)/kWh, and ($0.02)/kW for its Regular General Service G2 class, and ($0.00003)/kWh, or (0.003¢)/kWh and ($0.03)/kVa for its Large General Service G1 class. The rates are proposed to become effective August 1, 2019.

Q. How is the SCC calculated?

A. Schedule LSM-1, Page 1 provides the calculation for the SCC for all classes. The rate is calculated in accordance with UES's tariff, Schedule SCC. The class SCC obligations are calculated first based on a uniform per kWh charge, and then applied to energy and demand components for the Regular General Service G2 class and Large General Service G1 class. For these classes, UES used the ratio of demand and energy revenue under current rates to develop the demand and energy components of the SCC for effect August 1, 2019, similar to the method used in last year's filing.

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

A. The uniform SCC is calculated by dividing the prior period (over)/under recovery as of July 31, 2019, plus the forecast of costs for the period August 2019 through July 2020, plus interest for the same period, by calendar month kWh sales for August 2019 through July 2020. This uniform rate is applied equally to all customer classes. From this, energy and demand based rates are designed for the G2 and G1 classes. This calculation is provided on Schedule LSM-1, Page 1.

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

A. The uniform rate is increasing by $0.00089 per kWh. The increase is due to an increase in the prior period reconciliation balance and a decrease in forecasted period cost credits.

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

A. Schedule LSM-1, Page 2, provides the reconciliation of costs and revenues for the periods, August 2017 through July 2018, August 2018 through July 2019, and the forecasted rate period, August 2019 through July 2020. Actual data is provided for August 2017 through April 2019 and estimated data is provided for the remaining months. This schedule summarizes the costs and revenues associated with stranded costs and provides the computation of interest, which is calculated based on average monthly balances using the prime rate, as described in and consistent with the tariff.

Q. Have you provided detail on the monthly revenues shown on Page 2 of Schedule LSM-1?

A. Yes, revenue detail is shown on Schedule LSM-1, Page 3 for the periods August 2017 through July 2018, August 2018 through July 2019, and August 2019 through July 2020. Actual data is included for August 2017 through April 2019 and the remaining months are forecast.

IV. EXTERNAL DELIVERY CHARGE

Q. What is the EDC?

A. The EDC is the mechanism by which UES recovers the costs it incurs associated with providing transmission services outside UES's system and other costs for energy and transmission related services. For costs incurred after May 1, 2006, the costs included in the EDC exclude Default Service related external administrative charges, which have been moved for collection through the DSC, per the Settlement Agreement in DE 05-064 dated August 11, 2005, and approved by the Commission in Order No. 24,511 on September 9, 2005. Beginning May 1, 2011, as approved in DE 10-055, UES also recovers working capital associated with Other Flow-Through Operating Expenses and the Non-Distribution Portion of the annual NHPUC assessment as part of the EDC. Effective July 1, 2014, in accordance with RSA 363-A:6, the Non-Distribution Portion of the annual NHPUC assessment is modified to recover charges/credits in excess of the total NHPUC Assessment, less amounts charged to base distribution and Default Service. As approved in DE 16-384, UES is allowed to recover other regulatory expenses incurred due to

DE 16-576 and IR 15-296, over the period August 1, 2017 through July 31, 2020. Pursuant to the provisions of RSA 368:28, III UES also recovers any Commission approved special assessments charged to UES associated with the expenses of experts employed by the Office of Consumer Advocate. The EDC also includes the prudently incurred costs, as approved by the Commission, associated with the alternative net metering tariff approved in Docket DE 16-576.

In addition, the EDC includes the over- or under-collection from the Company's Vegetation Management Program ("VMP") and Reliability Enhancement Program ("REP") in accordance with the Settlement Agreement in DE 16-384; the rebate of excess Regional Greenhouse Gas Initiative ("RGGI") auction proceeds applicable to all retail electric customers in accordance with Order No. 25,664 in DE 14-048; and, the recovery of displaced distribution revenue associated with net metering for 2018.

Q. What is UES's proposed EDC?

A. Schedule LSM-2, Page 1, provides the proposed EDC of $0.02502/kWh, or 2.502¢/kWh, applicable to all classes. This charge is proposed to become effective August 1, 2019.

Q. How is the EDC calculated?

A. The EDC is calculated by summing the prior period (over)/under recovery as of July 31, 2019, plus the estimated EDC costs and associated interest for the period August 2019 through July 2020. The total is divided by estimated calendar month kWh sales for the period August 2019 through July 2020.

Q. In DE 18-029, UES separated its EDC into two pieces, transmission and non-transmission, in order to properly bill and credit alternative net metering customers. Is the proposed EDC formatted and calculated in this same manner?

A. Yes, the total proposed EDC has been broken into a transmission piece and non-transmission piece in order to bill and credit alternative net metering customers. The transmission-only factor is $0.02610/kWh and the non-transmission factor is ($0.00108)/kWh. The calculation of these factors is provided on Schedule LSM-2, Page 1. The majority of UES's customers will continue to be billed the total EDC. The reconciliation of costs and revenues beginning in August 2017, shown on Schedule LSM-2, pages 2, 3 and 4, are also provided separately for transmission and non-transmission.

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

A. The total EDC has increased by $0.00113, or 0.113¢, per kWh. This increase is due to an increase in forecasted period costs. The forecasted period, August

2019 through July 2020, reflects higher transmission costs compared to the forecast used for the period August 2018 through July 2019.

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

A. Schedule LSM-2 provides the reconciliation of EDC costs and revenues. Pages 2 and 3 provide the reconciliation for the two prior periods, August 2017 through July 2018 and August 2018 through July 2019. These pages reflect actual data for the period August 2017 through April 2019 and estimated data for the remainder of the period.

Page 4 of Schedule LSM-2 provides the reconciliation for the forecast rate period, August 2019 through July 2020. Interest is computed on average monthly balances using the prime rate, as described in the tariff. Detail on monthly revenue is shown on Schedule LSM-2, Page 5. Beginning in August 2017, total billed revenue has been allocated between the transmission factor and non-transmission factor.

Q. Schedule LSM-2, Page 3, includes a footnote in May 2019 regarding the VMP/REP reconciliation balance. Can you please provide details on 2018's reconciliation of vegetation management program / reliability enhancement plan O&M expenditures in the EDC?

A. Yes. As required by Section 7.2 of the Settlement Agreement approved by the Commission in docket DE 16-384, UES "will continue to reconcile actual

VMP and REP program O&M expenses for future calendar years to an amount of $4,858,739. Any over- or under-collection shall be reflected in the Company's Schedule EDC on May 1 of the following year or with approval of the Commission, the Company may credit unspent amounts to future vegetation management program expenditures."

For calendar year 2018, the Company spent $5,056,658 in VMP expense, and collected $952,732 from Fairpoint Communications, providing for a net total expenditure of $4,103,926. The net expenditure of $4,103,926 is subtracted from the $4,858,739 for a total over-collection of $754,813. Details of the VMP spending have been provided in the "Reliability Program and Vegetation Management Program Annual Report – Fiscal Year 2018" ("2019 VMP Report") filed in DE 19-042.

Q. What is the Company's proposal with respect to this over-collection?

A. As described in the testimony of Company witness Sara M. Sankowich, and in Sections 2.4 and 2.5 of the Company's 2019 VMP Report, and as contemplated in Section 7.2 of the Settlement Agreement in DE 16-384 and the Company's Tariff Schedule EDC, the Company is proposing to increase its 2019 VMP storm resiliency budget by $267,556. The Company is proposing to credit the remaining $487,257 over-collection in the Company's External Delivery Charge ("EDC") mechanism on May 1, 2019.[1]

V. TARIFF CHANGES AND BILL IMPACTS

Q. Has UES included tariff changes to reflect the proposed rate changes for effect August 1, 2019?

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

Q. Have you included any bill impacts as a result of proposed rate changes effective August 1, 2019?

A. Yes, rate changes and bill impacts as a result of changes to the SCC and EDC have been provided in Schedule LSM-4. Pages 1 through 3 provide a comparison of existing rates to the proposed rates for all the rate classes.

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[1] Per the Company's Tariff Schedule EDC, "In addition, the EDC shall include the calendar year over- or under-collection from the Company's Vegetation Management Program and Reliability Enhancement Program. The over- or under- collection shall be credited or charged to the EDC on May 1 of the following year, or, with approval of the Commission, the Company may credit unspent amounts to future Vegetation Management Program expenditures."

These pages also show the impact on a typical bill for each class in order to identify the effect of each rate component on a typical bill.

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

Page 5 provides the overall average class bill impact as well as the impact associated with both filings. As shown, for customers on Default Service, the residential class average bill will increase about 1.2%. General Service (G2) average bills will increase about 1.4%. Large General Service (G1) average bills will increase about 1.9%. Outdoor lighting average bills will increase about 0.6%.

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

VI. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.

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