

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 21-041

October 1, 2021

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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, 2021 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, 2021?**

6 A. Yes. Schedule LSM-1, Page 5 of 5, 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 1, the proposed Residential Class fixed Non-
13 G1 DSC is \$0.17518 per kWh and the proposed G2 and Outdoor Lighting ("OL")
14 Class fixed Non-G1 DSC is \$0.15381 per kWh for the period December 1, 2021
15 through May 31, 2022. The proposed Residential Class variable Non-G1 DSC
16 and the proposed G2 and OL Class variable Non-G1 DSC for this same period are
17 also shown on this page.
18

19 The proposed DSC are comprised of two components, as shown on Schedule
20 LSM-1, Page 1: 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, 2021 through May 31, 2022, the proposed Residential
2 Class fixed Non-G1 Power Supply Charge is \$0.16742 per kWh, the proposed
3 G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.14605 per kWh, and
4 the proposed fixed Non-G1 RPS Charge is \$0.00776 per kWh. These figures, as
5 well as the variable amounts for the same period, are shown on Schedule LSM-1,
6 Page 1.

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 2020
11 through May 2021, was \$0.09315 per kWh. The proposed Residential Class fixed
12 Non-G1 DSC of \$0.17518 per kWh is an increase of \$0.08203 per kWh.

13
14 The G2 and OL Class fixed Non-G1 DSC in effect last winter, December 2020
15 through May 2021, was \$0.08702 per kWh. The proposed G2 and OL Class fixed
16 Non-G1 DSC of \$0.15381 per kWh is an increase of \$0.06679 per kWh.

17
18 **Q. How do the proposed Non-G1 fixed DSC rates compare to the current rate?**

19 A. The proposed Residential Class fixed Non-G1 DSC of \$0.17518 per kWh is an
20 increase of \$0.10427 per kWh from the current DSC of \$0.07091 per kWh. The
21 proposed G2 and OL Class fixed Non-G1 DSC of \$0.15381 per kWh is an
22 increase of \$0.09389 per kWh from the current DSC of \$0.05992 per kWh. These
23 increases reflect higher contract costs for the period December 1, 2021 through

1 May 31, 2022 compared to the contract costs for the current period June 1, 2021
2 through November 30, 2021.
3

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

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

10 Variable pricing is calculated by dividing the total costs for the month, including a
11 partial reconciliation of costs and revenues through February 28, 2021¹, by the
12 estimated monthly kWh purchases for the Residential Class and the G2 and OL
13 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed
14 retail variable charges. Fixed pricing is calculated in a similar manner, except
15 that the calculation is based on each class's total for the entire six month period.
16

¹ In its April 2, 2021 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2021 to be (\$582,059) 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, 2021 to be (\$103,660) which is shown on Schedule LSM-3, Page 1.

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

3 A. The details of forecasted costs for the period December 1, 2021 through May
4 31, 2022 are provided on Schedule LSM-2, Page 2. Line items for the various
5 costs included in default service are shown and include: Non-G1 Class
6 (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier
7 Charges, GIS Support Payments, Supply Related Working Capital, Provision
8 for Uncollected Accounts, Internal Company Administrative Costs, Legal
9 Charges, Consulting Outside Service Charges, and the default service portion
10 of the annual PUC Assessment allocated to the Non-G1 Class.

11
12 **Q. Have you provided support for the total forecast costs shown on Page 1,**
13 **line 2 of Schedule LSM-3?**

14 A. The details of forecasted costs for the period December 1, 2021 through May
15 31, 2022 are provided on Schedule LSM-3, Page 2. Costs include RECs and
16 the associated working capital.

17
18 **Q. How is working capital calculated?**

19 A. Working capital included in the Power Supply Charge equals the sum of
20 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus
21 Non-G1 Class (G2 and OL) DS Supplier Charges, plus GIS Support
22 Payments, as shown on Schedule LSM-2, Page 2. It is calculated by taking
23 the product of Non-G1 Class (Residential) DS Supplier Charges plus Non-G1

1 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments and the
2 number of days lag divided by 365 days (i.e. the working capital requirement)
3 and multiplying it by the prime rate.

4

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

9

10 The calculation of working capital included in the Power Supply Charge and
11 the RPS Charge both rely on the results of the 2020 Default Service and
12 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
13 Charge working capital calculation uses 22.80 days and the Non-G1 class RPS
14 Charge working capital calculation uses (228.65) days.

15

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

18 A. Yes. The updated internal company administrative costs associated with
19 providing default service proposed for effect December 1, 2021 are provided
20 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
21 identically to those submitted as part of the update last year.

22

1 The Settlement Agreement in DE 05-064 allows UES to update these costs
2 annually based on changes to labor costs and associated overheads. The labor
3 hours allocated to DS reflect test year values and are not adjusted. UES has
4 used an overhead rate of 104% based on the average for calendar year 2020.
5 The updated labor costs by department are detailed on Schedule LSM-6, Page
6 2 of 2.

7
8 As shown on Page 1 of 2, the revised internal administrative costs associated
9 with providing DS are \$92,097. \$36,085 of that amount is attributable to the
10 Non-G1 class and \$56,012 is attributable to the G1 class. The current internal
11 administrative costs associated with providing DS are \$97,114, with \$38,112
12 attributable to the Non-G1 class and \$59,002 attributable to the G1 class.

13
14 **Q. What is the proposed G1 Class DSC?**

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

21

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

1 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
2 excluding the supplier charge component, of \$0.00317 per kWh in December 1,
3 2021 through May 31, 2022. The wholesale supply charge determined each
4 month will be added to this amount to yield the monthly G1 class Power Supply
5 Charge.

6
7 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
8 \$0.00726 per kWh in December 2021 and \$0.00761 per kWh in January through
9 May 2022.

10

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

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

15

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

17 A. The rate calculations for the Power Supply Charges, excluding wholesale supplier
18 charges, are provided on Schedule LSM-4, Page 1. The rate calculations for the
19 RPS Charges are provided on Schedule LSM-5, Page 1. Both charges are
20 calculated in the same manner.

21

1 Each charge is calculated by dividing the costs for each month, including a partial
2 reconciliation of costs and revenues through February 28, 2021², by the estimated
3 G1 kWh purchases for the corresponding month. An estimated loss factor of
4 4.591% is then added to arrive at the proposed retail charges.

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

8 A. The details of forecasted costs included in the Power Supply Charge for the
9 period December 1, 2021 through May 31, 2022 are provided on Schedule
10 LSM-4, Page 2. Line items for the various costs included in default service
11 are shown and include: Total G1 Class DS Supplier Charges, GIS Support
12 Payments, Supply Related Working Capital, Provision for Uncollected
13 Accounts, Internal Company Administrative Costs, Legal Charges, Consulting
14 Outside Service Charges, and the default service portion of the annual PUC
15 Assessment allocated to the G1 Class. At the end of each month, UES will
16 determine the supplier charge to be added to the monthly Power Supply
17 Charge.

² In its April 2, 2021 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2021 to be \$47,765 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, 2021 to be (\$13,231) which is shown on Schedule LSM-5, Page 1.

1

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

4 A. The details of forecasted costs included in the RPS Charge for the period
5 December 1, 2021 through May 31, 2022 are provided on Schedule LSM-5,
6 Page 2. Costs include Renewable Energy Credits (“RECs”) and the associated
7 Working Capital.

8

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

10 A. Working capital included in the Power Supply Charge equals the sum of
11 working capital for Total G1 Class DS Supplier Charges plus GIS Support
12 Payments and is shown on Schedule LSM-4, Page 2. It is calculated by taking
13 the product of Total G1 Class DS Supplier Charges plus GIS Support
14 Payments and the number of days lag divided by 365 days (i.e. the working
15 capital requirement) and multiplying it by the prime rate. As the Total G1
16 Class DS Supplier Charges for the upcoming rate period are not yet known,
17 UES has estimated power supply costs for the purpose of estimating working
18 capital. The estimate of power supply costs is based on the forecasted G1
19 class kWh purchases and an estimated price per kWh. The estimated price per
20 kWh was determined by comparing a historical relationship between G1 and
21 Non-G1 class supplier pricing and then applying that relationship to the
22 current average Non-G1 supplier price per kWh. Actual working capital will
23 be determined using the actual supplier charges in each month.

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 taking the
4 product of RECs and the number of days lead divided by 365 days (i.e. the
5 working capital requirement) and multiplying it 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 2020 Default Service and
9 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
10 Charge working capital calculation uses 0.89 days and the G1 class RPS
11 Charge working capital calculation uses (231.61) days.

12

13 **IV. BILL IMPACTS**

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

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

19

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

1

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

4

5 Page 4 provides the overall average class bill impacts as a result of changes to the
6 DSC versus current rates. As shown, for customers on Default Service, the
7 residential class will increase by approximately 60.0%, general service will
8 increase by approximately 60.6%, and outdoor lighting will increase by
9 approximately 29.2%.

10

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

13

14 Pages 10 and 11 provide a table comparing rates in effect in December 2020 to
15 the proposed rates for the residential and General Service rate classes. These
16 pages also show the impact on a typical bill for each class in order to identify the
17 effect of each rate component on a typical bill. Residential customers taking fixed
18 default service will see increases of approximately 40.1% compared to last winter.
19 Most G2 customers taking fixed default service will see increases of
20 approximately 35.1% compared to last winter. These increases are due to the
21 increase in the proposed DSC.

22

23 **V. CONCLUSION**

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

2 **A. Yes, it does.**