UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LISA S. GLOVER

New Hampshire Public Utilities Commission

Docket No.: DE 22-

June 17, 2022

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Lisa S. Glover. My business address is 6 Liberty Lane West, Hampton, NH.

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

A. I am a Senior Energy Analyst for Unitil Service Corp. ("USC"). USC provides management and administrative services to Unitil Energy Systems, Inc. ("UES") and Unitil Power Corp. ("UPC").

Q. Please describe your relevant educational and work experience.

A. I received my Bachelor of Science degree in Environmental Science from the University of Massachusetts Amherst and a Master of Public Administration from Norwich University in Vermont. I joined Unitil Service Corp. in February 2003 and have held various positions within the company prior to joining Energy Contracts in May 2014 in my current position as Senior Energy Analyst. I have primary responsibilities in the areas of default service budgeting, administration, and procurement; long-term renewable energy procurement; electric market operation and data reporting; and Renewable Portfolio Standard compliance.

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

A. Yes.

II. SUMMARY OF TESTIMONY

Q. Please summarize your testimony in this proceeding.

A. My testimony presents the cost data and explains the reasons for the proposed changes to UES's Stranded Cost Charge ("SCC"), and External Delivery Charge ("EDC"), effective August 1, 2022. Ms. Linda S. McNamara is sponsoring testimony on the reconciliation and rate development for the SCC and EDC, based on the cost data included in my testimony. Mr. Christopher Goulding has provided testimony to explain the calculation of displaced distribution revenue associated with net metering for 2021, which is included in the proposed EDC. Mr. Daniel Hurstak has provided testimony to support the EDC Lead Lag Study. Mr. Daniel Nawazelski has provided testimony related to the Company's request for approval of recovery of the increase in property taxes associated with HB 700.

III. STRANDED COST CHARGE COSTS

Q. What costs are included in the SCC?

A. The SCC includes the Contract Release Payments ("CRP") from Unitil Power Corp., charged in accordance with the Amended Unitil System Agreement, approved by both the Commission in Docket No. DE 01-247 and by the FERC.

Schedule LSG-1, page 1, provides a description of the CRP. Page 2 provides the CRP by month reflecting actual data from August 2020 through May 2022 and estimated data from June 2022 through July 2023.

Q. Please describe the Amended Unitil System Agreement.

A. The purpose of the Amended Unitil System Agreement was to restructure UES's power supply in order to implement retail choice. Prior to the implementation of the Amended Unitil System Agreement on May 1, 2003, UES purchased full-requirements power supply from UPC at fully reconciling, cost-of-service rates.

The Amended Unitil System Agreement provides for termination of power sales from UPC to UES and the payment of UPC's on-going costs by UES. These on-going costs are defined in the Amended Unitil System Agreement as CRP and Administrative Service Charges ("ASC"). UES recovers the CRP through the SCC and the ASC through the EDC. The ASC will be discussed later under the EDC costs.

Q. Please describe the CRP.

A. The CRP is calculated in accordance with Appendix 1 of the Amended Unitil System Agreement. The CRP is equal to the sum of the Portfolio Sales Charge, the Residual Contract Obligations, the Hydro-Quebec Support Payments, and True-Ups from Prior Periods. The Portfolio Sales Charge and the Residual Contract Obligations have ended as have a significant portion of the Hydro-Quebec Support

Payments[1]. The CRP estimates in this filing, therefore, include only the Hydro-Quebec Support Payments still in effect. This is discussed more in detail below.

The initial term of the Hydro-Quebec Phase II Agreements ("Agreements") was scheduled to end on October 31, 2020 and required UPC to support the Hydro-Quebec Phase II transmission facilities under those Agreements. These facilities are part of one high-voltage, direct-current ("HVDC") interconnection between New England and Quebec. UPC has no obligation to support Phase I of these facilities. The costs for maintenance and construction of these facilities are paid by Interconnection Rights Holders ("IRH") through support agreements between the IRH members and the owners of the HVDC transmission facilities. As discussed below, UPC is no longer a party to those Agreements. However, certain other related Agreements which fund improvements and reinforcements to the New England Power's AC transmission system in support of the Phase II HVDC transmission line ("AC Facilities Support Agreements"), remain in effect. These include the Boston Edison AC Facilities Support Agreement and the New England Power AC Facilities Support Agreement. The Hydro-Quebec Support Payments include all costs incurred by UPC pursuant to the AC Facilities Support Agreements. Payments received by UPC from ISO-New England related to OATT Schedule 9 RNS operates to offset the expense of the AC

[1] See FERC Docket ER-21-712 Petition for Approval of Offer of Settlement which amends and restates the four Support Agreements and a Use Agreement for the U.S. portion of the 2,000 MW HVDC transmission facilities interconnecting New England and Quebec.

Facilities Support Agreements. As discussed below, before the underlying contracts terminated on October 31, 2020, UPC received revenue for short-term sales of transmission rights and capacity rights which offset the expense of the Hydro-Quebec Support Payments.

The True-ups from Prior Periods reflect any differences in costs resulting from the reconciliation of estimated costs to actual costs under the CRP component of the Amended Unitil System Agreement. The True-ups from Prior Periods also provide for the reconciliation of costs billed to UPC for services purchased in UPC's performance of the Unitil System Agreement, prior to May 1, 2003. The CRP estimates in the current filing reflect no True-ups from obligations prior to May 1, 2003.

Q. Please provide an estimate of each of the components of the CRP.

A. Details regarding the CRP are provided in Schedule LSG-3. This shows the actual itemized CRP and ASC charges as billed by UPC to UES for the period beginning August 2020 through April 2022 under the Amended Unitil System Agreement. Beginning on page 2 and into page 3 of Schedule LSG-3, estimated CRP and ASC for the 15-month period beginning May 2022 and ending July 2023 are presented. UPC bills UES on estimated data, prior to the beginning of the month of service. These estimates are trued-up to actuals on a two-month lag.

Q. Please provide a comparison of the estimated CRP for the upcoming SCC rate period (August 2022 through July 2023) to the projected CRP for the current SCC rate period (August 2021 through July 2022).

A. Table 1 below provides a comparison of the estimated CRP for the upcoming SCC rate period to the projected CRP for the current SCC rate period. At the time of the preparation of this estimate of the CRP, actual CRP expense data was available through April 2022. As such, the projected actual CRP for the current SCC rate period (August 2021 through July 2022) is comprised of nine months of actual data and three months of estimated data.

Table 1. Comparison of Estimated CRP for August 2022 through July 2023 to Projected CRP for August 2021 through July 2022
Unitil Power Corp.

Line No.	Line Item Description	Aug 2021 - July 2022 9 Months Act. and 3 Months Est.	Aug 2022 - July 2023 Estimate	Variance (Aug 2022 - July 2023 Costs minus Aug 2021 - July 2022 Costs)
1	Portfolio Sales Charge	$0	$0	$0
2	Residual Contract Obligations	$0	$0	$0
3	Hydro-Quebec Support Payments	($7,883)	($31,532)	($23,649)
4	Subtotal (L. 2 through 4)	($7,883)	($31,532)	($23,649)
5	True-up for estimate		$0	$0
6	Obligations prior to May 1, 2003	$0	$0	$0
7	Total Contract Release Payments as billed by Unitil Power Corp.	($7,883)	($31,532)	($23,649)

Q. Please report on the efforts by UPC to mitigate the stranded costs associated with the Hydro-Quebec Phase II Agreements.

A. During the term of the **Hydro-Quebec Phase II Agreements,** UPC mitigated costs primarily through short-term sales of the transmission rights and capacity, which UPC was entitled to through its support of the Hydro-Quebec Phase II facilities. UPC would resell its transmission rights on a short-term basis through a brokering agreement with Green Mountain Power ("GMP"). UPC also had rights to Hydro-

Quebec Interconnection Capability Credit ("HQICC"), pursuant to the ISO Tariff. UPC was reimbursed by GMP for its HQICC at a price equal to the ISO Net Regional Clearing Price.[2] Both the brokering payments and capacity reimbursements from GMP ended when the HQ Phase II Agreements terminated. As previously mentioned, payments from ISO New England are currently offsetting the remaining Hydro Quebec Support payments. Please refer to Schedule LSG-5 for itemized cost and revenue offsets, related to the Hydro-Quebec Support Payments related to the AC Facilities Support Agreements.

Q. Has UPC prepared an accounting of the costs and revenues to UPC under the CRP and the ASC?

A. Yes. Schedule LSG-4 provides this accounting for the period beginning August 2020 through April 2022. UPC bills UES estimates of the CRP and ASC on the 25th of the month for the upcoming month. The estimated expenses are trued-up to actual expenses on a two-month lag basis. In order to calculate the true-up, UPC tracks the actual expenses, which comprise both the CRP and the ASC. These actual expenses are compared to the estimated expenses to calculate the true-up for prior period. Schedule LSG-4 provides summary data of actual CRP and ASC expenses and revenues.

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[2] The Net Regional Clearing Price is calculated by first adding Forward Capacity Auction payments to Net Reconfiguration Auction Credits or Charges and subtracting Peak Energy Rent Adjustments. This total is then divided by the Net Regional Supply Obligation.

IV. TERMINATION OF PHASE II SUPPORT AGREEMENTS

Q. Please provide background on the Hydro-Quebec Phase II Support Agreements.

A. The Hydro-Quebec high voltage direct current ("HVDC") transmission facilities were supported by two sets of agreements signed in the 1980s. The Support Agreements pre-dated electric industry restructuring and were entered into on a pro rata basis by all or nearly all members of the New England Power Pool ("NEPOOL"). The Phase I Support Agreements were signed in 1980, and brought interconnection and transmission facilities with approximately 690 MW of transfer capability from the Hydro-Quebec system to New England into service in 1986. The Phase II Support Agreements were signed in 1985 and increased the total transfer capabilty from Hydro-Quebec to New England to approximately 2,000 MW. A Restated Use Agreement[3] defines the rights ("Use Rights") of parties to the Support Agreements, also known as Interconnection Rights Holders ("IRH"). The term of the Phase I and Phase II Support Agreements is 30 years after the Phase II facilities went into service. The Phase II facilities went into service in the fall of 1990 and the agreements were set to expire October 31, 2020.

Q. What was Unitil Power Corp.'s share of the Phase II Support Agreements?

[3] New England Power Pool FERC Electric Third Revised Rate Schedule No. 4.

A. UPC's share of Phase II was 1.227 percent, which provides Use Rights for approximately 16 MW of transfer capability. The Phase II Support Agreements include four separate agreements.[4] UPC does not have a share of Phase I.

Q. Why didn't Unitil Power Corp. divest its Phase II entitlement during restructuring?

A. UPC sought to divest its Phase II entitlement early in the divestiture process, but did not find market interest so the entitlement was retained in Unitil Energy Systems, Inc's power supply restructuring plan. UPC has mitigated the costs of the Phase II Support Agreements since restructuring began and recovered costs from and credited revenues to UES under the Unitil System Agreement. In turn, UES has recovered the net costs in the SCC. As documented in the prior section, mitigation had primarily taken the form of transmission sales and HQICC.

Q. What are the renewal rights associated with the Support Agreements?

A. The Transmission Facilities Support Agreements include a right to renew for an additional period of up to 20 years. The right was to be exercised no later than two years before the termination date, or by October 31, 2018. There is a requirement

[4]Phase II Boston Edison AC Facilities Support Agreement, dated June 1, 1985. Phase II Massachusetts Transmission Facilities Support Agreement, dated June 1, 1985. Phase II New England Power AC Facilities Support Agreement, dated June 1, 1985. Phase II New Hampshire Transmission Facilities Support Agreement, dated June 1, 1985.

that 100 percent of the entitlements must be renewed or the renewal right is forfeited. Thus, if an individual IRH decides not to renew, then their shares would need to be allocated among those IRH who choose to renew.

Q. Why did UPC exercise its right to terminate the Phase II Support Agreements?

A. As stated in its previous filings, UPC decided not to renew its share of the Phase II Massachusetts and New Hampshire Transmission Facilities Support Agreements and let its share terminate on November 1, 2020. These agreements are not needed to provide service to UES' customers. The purpose of the Support Agreements, which pre-dated industry restructuring, was to build the HVDC transmission line for the benefit of the New England region. Although UPC did not enter into new transmission service support agreements, UPC continues to be billed for relatively small expenses under the AC Facilities Support Agreements and UPC also receives corresponding revenue from ISO New England offsetting these expenses. The Company is actively looking into the steps it needs to take to fully terminate obligations under the AC Facilities Support Agreements.

Q. What other benefits derive from UPC's decision not to renew the Phase II Support Agreements?

A. Allowing the Phase II Support Agreeements to terminate will allow the elimination of the Stranded Cost Charge, the opportunity to dissolve UPC and the opportunity to terminate the Unitil System Agreement. These changes would also better align UES's energy supply related commitments with its energy procurement practices.

V. EXTERNAL DELIVERY CHARGE COSTS

Q. What costs are included in the EDC?

A. Schedule LSG-2, page 1 provides a description of the costs included in the EDC:

(a) Third Party Transmission Providers (Eversource Network Integration Transmission Service);
(b) Regional Transmission and Operating Entities;
(c) Third Party Transmission Providers (Eversource Wholesale Distribution);
(d) Working Capital Associated with Other Flow-Through Operating Expenses-transmission costs only;
(f) Transmission-Based Assessments and Fees;
(g) Load Estimation and Reporting System and EDI Communication Costs;
(h) Unmetered Purchased Power;
(i) Data and Information Services;
(j) Legal Charges;
(k) Consulting Outside Service Charges;
(l) Administrative Service Charges;
(m) EDC Portion of the Annual PUC Assessment;
(n) Net Metering Credits
(o) Net Metering Costs
(p) Regional Greenhouse Gas Initiative Auction Proceeds;
(q) Excess ADIT (2018-2020);
(r) Working Capital Associated with Other Flow-Through Operating Expenses-excluding transmission costs; and
(s) Displaced Distribution Revenue.

Items (a), (b), and (c) of the Schedule are discussed below:

The <u>Third Party Transmission Providers (Eversource Network Integration Transmission Service)</u> component of the EDC consists of Network Integration Transmission Service taken by UES and provided by the Eversource Energy companies[5] ("Eversource") pursuant to Schedule 21-ES of the ISO New England

[5] Northeast Utilities formerly changed its name and those of all its subsidiaries in January 2015 to Eversource Energy.

Inc. Transmission, Markets and Services Tariff (FERC Electric Tariff No.3) ("ISO Tariff").

The Regional Transmission and Operating Entities component of the EDC consists of all charges from ISO New England Inc. ("ISO"). These charges consist primarily of Regional Network Service, taken pursuant to the ISO Tariff. Other major costs (which are also billed by the ISO to UES) are various ancillary services allocated to transmission customers, such as VAR support, dispatch service, and black-start capability.

The Third Party Transmission Providers (Eversource Wholesale Distribution) component consists of Distribution Delivery Service ("DDS") charges with Eversource. DDS compensates Eversource for the wheeling of power from the Eversource transmission system to UES's distribution system over certain facilities, which are classified as distribution facilities for accounting purposes and, therefore, are not included in the Eversource transmission system rate base.

Q. Please provide the External Delivery cost data, which was utilized in the calculation of the EDC.

A. Schedule LSG-2 provides the External Delivery cost data used in the calculation of the EDC. Page 2 provides actual historic External Delivery cost data for the year beginning August 2020 through July 2021. Actual External Delivery cost data for the months of August 2020 through April 2021 was included in UES's last EDC rate and reconciliation filing, Docket No. DE 21-121. In that docket, UES provided estimated External Delivery costs for May 2021 through July 2022. Rather than present partial data beginning with May 2021, UES is presenting the full period. Page 3 of Schedule LSG-2 provides External Delivery cost data for the current EDC rate period, August 2021 through July 2022. Actual cost data is available through April 2022, and estimated cost data is provided for May 2022 through July 2023. Finally, page 4 of Schedule LSG-2 provides estimated External Delivery costs for the upcoming EDC rate period, August 2022 through July 2023.

Q. Please provide a comparison of the External Delivery costs for the upcoming EDC rate period (August 2022 through July 2023) to the projected External Delivery costs for the current EDC rate period (August 2021 through July 2022).

A. Please refer to Table 2 below for an itemized comparison of estimated External Delivery cost for the upcoming EDC rate period to the projected External Delivery costs for the current rate period.

Table 2. Comparison of Estimated External Delivery costs for August 2022 through July 2023 to projected External Delivery costs for August 2021 through July 2022

Unitil Energy Systems, Inc.

Line No.	Line Item Description	Aug 2021 - July 2022 9 Months Act. and 3 Months Est.	Aug 2022 - July 2023 Estimate	Variance (Aug 2022 - July 2023 Costs minus Aug 2021 - July 2022 Costs)
1	Third Party Transmission Providers (Eversource Network Integration Transmission Service)	($1,377,372)	$4,162,061	$5,539,433
2	Regional Transmission and Operating Entities (ISO-NE)	$30,364,218	$31,266,952	$902,734
3	Third Party Transmission Providers (Eversource Wholesale Distribution)	$2,994,977	$2,858,886	($136,091)
4	Working Capital associated with Other Flow-Through Operating Expenses-Transmission Costs only	$399,589	($4,250)	($403,840)
5	Transmission-based Assessments and Fees	$13,250	$13,250	$0
6	Load Estimation and Reporting System Costs	$339,851	$318,000	($21,851)
7	Unmetered Purchased Power	($10,573)	$0	$10,573
8	Data and Information Services	$13,750	$15,000	$1,250
9	Legal Charges	$14,381	$29,000	$14,619
10	Consulting Outside Service Charges (UES) & OCA Consultant Expense	$18,050	$55,000	$36,950
11	Administrative Service Charges	($120)	$4,622	$4,742
12	EDC Portion of the annual PUC Assessment	$46,823	$0	($46,823)
13	Net Metering Credits	$621,397	$3,096,997	$2,475,599
14	Net Metering Costs	$0	$0	$0
15	RGGI Auction Proceeds	($4,218,648)	($4,683,743)	($465,095)
16	Excess ADIT 2018-2020	$0	($881,530)	($881,530)
17	Working Capital associated with Other Flow-Through Operating Expenses - excluding transmission costs	$56,562	$28,200	($28,362)
18	Displaced Distribution Revenue	$291,559	$177,575	($113,984)
19	Total External Delivery Costs	$29,567,694	$36,456,018	$6,888,324

Q. Please explain the projected increase in External Delivery costs for the upcoming EDC rate period (August 2022 through July 2023) over the current EDC rate period (August 2021 through July 2022).

A. The External Delivery costs for the upcoming EDC rate period are projected to be $6,888,324 higher than or 23% above the current rate period. The largest contributors to the increase in the projected costs are associated with Third Party Transmission Providers (Eversource Wholesale Distribution) for interconnection and distribution delivery services and Net Metering Credits. Eversource projected it would be in a significant over-recovery position at the end of 2021 so it issued an initial refund in November 2021 (ahead of its typical June true-up) which was in the amount of $1,264,474. Eversource then completed any residual 2021 true-up with the June bill which was estimated to be another refund in the amount of $3,272,000. The current period reflects the initial true-up of the Schedule 21-ES Transmission Tariff Category for 2021 which booked in November 2021 and the second true-up which is estimated in June 2022. Together, these true-ups total $4.5 million. The 2021 true-up is an over-recovery position primarily driven primarily New England transmission loads being substantially higher in 2021 than the previous year.

The second driver of increased costs are Net Metering Credits. Effective June 1, 2022, the Company will also include the amounts credited to, or paid to, customer generator net metering customers with an excess of 600 kWh banked at the end of the March billing cycle who opt to be credited or paid in accordance with the Puc 900 rules, as well as any monthly amounts credited to, or paid to, large customer generators or group net metering customers including any required annual credit reconciliation in accordance with Puc 900. In association with these net metering credits, the EDC will include any corresponding offsets for any wholesale market revenue received that is attributable to net metered facilities.

Q. Are there any new additions to the EDC?

A. Yes. Excess ADIT 2018-2020 has been added. Under the Settlement and subsequent Order in DE 21-030, Excess Accumulated Deferred Income Tax from 2018-2020 in the amount of $2,644,590 shall be returned to customers through the EDC over a three year period, starting on August 1, 2022.

Q. Describe Unitil's effort to reduce peak demand.

A. For 2022-2023 Unitil will continue its existing C&I and Residential Active Demand Reduction ("ADR") Pilot offerings to reduce peak demand and capture benefits as quantified in the regional Annual Energy Supply Components study as outlined it Statewide Energy Efficiency Plan[6]. The goals of the ADR programs are to flatten peak loads, improve system load factors, and reduce long-term costs for New Hampshire customers. Program offerings include C&I load curtailment which provides an incentive for verifyable shedding of load by participants and residential Wi-Fi thermostat direct load control focused on reducing summer peak demand.

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[6] DE 20-092, 2022-2023 NH Statewide Energy Efficiency Plan, March 1, 2022.

Q. What legal charges does UES expect to incur under the EDC?

A. UES estimates that it will incur legal charges of $29,000 for the upcoming EDC rate period (August 2022 through July 2023). These costs include charges for work on a FERC wheeling tariff rate filing that the Company expects to make within the upcoming EDC rate period. These costs also cover the UES portion of the NAESB membership as well as an estimate to cover routine legal costs. Any legal costs associated with procurement of Default Service are recovered through the Default Service Charge.[7]

Q. What consulting charges does UES expect to incur under the EDC?

A. UES estimates that it will incur $55,000 in outside consulting service charges for the upcoming EDC rate period (August 2022 through July 2023). These costs include charges associated with the FERC wheeling tariff filing previously referenced as well as estimated costs to the State of New Hampshire and/or OCA consultants.

Q. Please provide the detail behind the estimate for the Administrative Service Charges.

A. Details regarding the ASC are provided in Schedule LSG-3 on lines 10 through 18. The ASC includes any costs incurred by UPC, relative to UPC's obligations under

[7] This is in accordance with the settlement agreement approved in Docket No. DE 05-064.

the Amended Unitil System Agreement, which are not otherwise assigned or assumed by UES. These costs include NEPOOL, ISO, and RTO costs, as well as legal, consulting, and other outside services. It does not include any internal costs of USC, UES or UPC. The costs are projected to be lower compared to the prior period.

Q. Has UES included Regional Greenhouse Gas Initiative (RGGI) rebates in the proposed EDC?

A. Yes. UES has included the rebate of excess RGGI auction proceeds applicable to all retail electric customers as a separate line item in the EDC. UES records the rebates in the EDC on the month in which it is received, and applies carrying charges. For the actual period of August 2020 through May 2022, UES has recorded seven rebate amounts totaling $5,330,597. In accordance with Order No. 25,664, UES has included estimates of auction amounts it expects to receive through July 2023 in order to ensure customers receive the credit, or estimate thereof, in a timely manner. These estimates are shown on Schedule LSG-2, Pages 3 and 4.

Q. Has UES included in this filing the recovery of costs associated with lost distribution revenue due to net metering?

A. Yes. In accordance with Order No. 25,991 in DE 15-147, UES is allowed to recover displaced distribution revenue through its EDC. Please see the Testimony and Exhibits prepared by Mr. Christopher Goulding.

VI. UPC COSTS AND REVENUES

Q. Has UPC prepared an accounting of the costs and revenues to UPC under the CRP and the ASC?

A. Yes. Schedule LSG-4 provides this accounting for the period beginning August 2020 through May 2022. UPC bills UES estimates of the CRP and ASC on the 25th of the month for the upcoming month. The estimated expenses are trued-up to actual expenses on a two-month lag basis. In order to calculate the true-up, UPC tracks the actual expenses, which comprise both the CRP and the ASC. These actual expenses are compared to the estimated expenses to calculate the true-up for prior period. Schedule LSG-4 provides summary data of actual CRP and ASC expenses and revenues.

VII. CONCLUSION

R. Does that conclude your testimony?

A. Yes, it does.