UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

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 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, 2022.

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. Christopher Goulding has provided testimony to explain the calculation of displaced distribution revenue associated with net metering for 2021, which is included for recovery 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

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 $0.00002/kWh applicable to all classes. The charge is proposed to become effective August 1, 2022.

Q. How is the SCC calculated?

A. The SCC is calculated by summing the prior period (over)/under recovery as of July 31, 2022, plus the estimated SCC costs and associated interest for the period August 2022 through July 2023. The total is divided by estimated calendar month kWh sales for the period August 2022 through July 2023.

Q. Why has the Company calculated only a uniform kWh rate, with no demand component, for all classes with this filing?

A. Due to the small size of the dollars to be collected as part of the proposed August 1, 2022 SCC, following a method with both a kWh rate and demand component would have resulted in charges of $0.00000 per kWh (for both G2 and G1), $0.00 per kW (G2) and $0.00 per kVA (G1). Therefore, to provide these classes with their appropriate portion of the costs, only the uniform per kWh factor is being proposed.

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

A. The uniform rate is increasing by $0.00004 per kWh. The increase is due the change in the prior period reconciliation balance.

Q. Have you provided a history of how the SCC has changed over time?

A. Yes, the table below provides the history of allowed costs and approved SCC since August 2018.

	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022	Aug 2022-Jul 2023
Total $ included in SCC for recovery	($1,209,450)	($136,261)	($270,103)	($21,266)	$19,060
Uniform SCC ($/kWh)	($0.00101)	($0.00012)	($0.00025)	($0.00002)	$0.00002
Annual increase/(decrease) - $		$1,073,189	($133,842)	$248,837	$40,326
Increase/(decrease) - $/kWh		$0.00089	($0.00013)	$0.00023	$0.00004

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 2020 through July 2021, August 2021 through July 2022, and the forecasted rate period, August 2022 through July 2023. Actual data is provided for August 2020 through April 2022 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 2020 through July 2021, August 2021 through July 2022, and August 2022 through July 2023. Actual data is included for August 2020 through April 2022 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. Pursuant to the provisions of RSA 363:28, III UES also recovers any Commission approved special assessments charged to UES associated with the expenses of experts employed by the Department of Energy and 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 is allowed to include 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 reconciliation of the prior year's local property tax recovery included in distribution rates and the actual property tax expense for the calendar year; 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 2021.

Q. Has the Company included the over- or under-collection from its VMP and REP this year as part of the EDC?

A. No. In the annual reconciliation filed in Docket No. DE 21-139, the Company has proposed that the VMP/REP over-collection be rolled over to the 2022 program year to fund 2021 cycle trim carryover work.

Q. Has UES incorporated any changes to its EDC as a result of its recent base rate case settlement and order in DE 21-030?

A. Yes. As noted on Schedule LSM-2, Page 4, the estimated August 1, 2022 beginning balance for non-transmission and total EDC include several adjustments, most of which are the result of changes from DE 21-030. Included are $73,160 for Deferred Matter Communications (formerly Calypso) storm charges; $621,531 of rate case expense, subject to receipt of final invoices and audit; $1,431,728 recoupment of revenues resulting from the difference in permanent and temporary rates; and $386,957 of COVID-19 related costs relating to waived late payment fees from calendar year 2020.

In addition to these changes, also as a result of DE 21-030, the Company has incorporated a forecast of wheeling revenue received, as shown on Schedule LSM-2, Page 5, for the period June 2022-July 2023. May 2022 includes an adjustment of $6,750.56 to reflect wheeling revenues for the period June 2021 through May 2022 since temporary rates became effective June 1, 2021.

Q. Please explain the other adjustments that are referenced in the footnote found on Schedule LSM-2, Page 4.

A. In addition to the adjustments described above, which resulted from the settlement and order in DE 21-030, two other adjustments have been included in the August 1, 2022 beginning balance.

The Company is proposing to incorporate its Storm Recovery Adjustment Factor ("SRAF") reconciliation balance in the proposed August 1, 2022 EDC. As part of its SRAF rate change and tariff filing in DE 19-043 dated March 10, 2022 and May 9, 2022, UES indicated it will file the final results of its SRAF recovery with the Commission no later than sixty days after the conclusion of the recovery period (i.e. June 30, 2022), with the disposition of any remaining balance subject to Commission review and approval. As of May 1, 2022, the SRAF is zero and there are no storms currently being reconciled, therefore the Company is proposing to include the final reconciliation balance in the EDC, estimated to be ($72,556), as noted on Schedule LSM-2, Page 4.

The remaining adjustment included as part of footnote 1 on Schedule LSM-2, Page 4, is for the property tax reconciliation effective January 1, 2022 in the amount of $103,973. Details for this figure are provided by Mr. Nawazelski.

Q. As part of this filing, is the Company proposing any changes to what is included in the EDC?

A. The Company is proposing to include all net metering and group host costs through its EDC as well as corresponding offsets for any wholesale market revenue attributable to net metered facilities. Currently, group costs and net meter costs prior to the advent of alternative net metering are recovered through default service while alternative net metering costs are recovered through the EDC. The Company proposes to make this change effective June 1, 2022 which coincides with the approval date of a large group host customer which led to the Company's review of its accounting for these costs. This change in treatment is consistent with changes in legislation (group hosts and their members are no longer required to be on Default Service) as well a recent order approving a settlement agreement of Eversource Energy in DE 20-136 where the Commission approved the recovery of net metering and group host costs, and corresponding offsets for wholesale market revenue, through a charge that is applied to all customers, as opposed to just default service customers.

Q. What is UES's proposed EDC?

A. Schedule LSM-2, Page 1, provides the proposed EDC of $0.02533/kWh applicable to all classes. This charge is proposed to become effective August 1, 2022.

Q. How is the EDC calculated?

A. The EDC is calculated by summing the prior period (over)/under recovery as of July 31, 2022, plus the estimated EDC costs net of wholesale and wheeling revenue, and associated interest for the period August 2022 through July

2023. The total is divided by estimated calendar month kWh sales for the period August 2022 through July 2023.

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 \$0.02909/kWh and the non-transmission factor is (\$0.00376)/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 2020, 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 decreased by \$0.00445 per kWh. This decrease is mainly due to a change in the reconciliation balance, which was the result of lower than forecasted costs for the current period August 2021-July 2022, and due to lower overall estimated costs for the upcoming rate period[1].

Q. Have you provided a history of how the EDC has changed over time?

A. Yes, the table below provides the history of allowed costs and approved EDC since August 2018.

	Aug 2018-Jul 2019	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022	Aug 2022-Jul 2023
Total $ included in EDC for recovery	$28,691,417	$29,451,363	$39,477,156	$34,895,639	$29,138,055
Total EDC ($/kWh)	$0.02389	$0.02502	$0.03613	$0.02978	$0.02533
Annual increase/(decrease) - $		$759,946	$10,025,793	($4,581,517)	($5,757,583)
Increase/(decrease) - $/kWh		$0.00113	$0.01111	($0.00635)	($0.00445)

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 2020 through July 2021 and August 2021 through July 2022. These pages reflect actual data for the period August 2020 through April 2022 and estimated data for the remainder of the period.

[1] Costs inclusive of wholesale revenue offsets.

Page 4 of Schedule LSM-2 provides the reconciliation for the forecast rate period, August 2022 through July 2023. 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.

Q. Has the Company calculated the time differentiated transmission rates for Schedule TOU-D, Schedule TOU-EV-D, Schedule TOU-EV-G2, and Schedule TOU-EV-G1 for effect August 1, 2022?

A. Yes, please see Schedule LSM-2, Page 7. As shown, consistent with the Settlement Agreements approved in DE 20-170 and DE 21-030, the rates for transmission are derived from the ratios resulting from the initial peak, mid peak, and off-peak rates for the summer and winter seasons which were provided in DE 20-170 Exhibit 24 Revised, Attachment A Illustrative Rates.

Q. Does this filing include revised rate schedules reflecting these time differentiated transmission rates?

A. No. The Company intends to files these tariff pages in a compliance filing since the rate schedules and rate summary are also affected by the step adjustment, which is currently pending in DE 22-026.

V. TARIFF CHANGES AND BILL IMPACTS

Q. Has UES included tariff changes to reflect the proposed rate changes for effect August 1, 2022?

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 tariff Pages 4 and 5, Summary of Delivery Service Rates and Page 6, Summary of Low-Income Electric Assistance Program Discounts. However, rate changes that affect these pages are currently pending in DE 22-026, for effect July 1, and therefore, the Company will provide Page 4, 5 and 6 of its tariff when it makes its compliance filing in this docket in order to incorporate all approved rate changes.

Page 3 of Schedule LSM-3 presents changes to the External Delivery Charge, Schedule EDC, in order to incorporate language regarding the Company's proposal to include all net metering and group host costs through the EDC as well as corresponding offsets for any wholesale market revenue attributable to net metered facilities.

Q. Have you included any bill impacts as a result of proposed rate changes effective August 1, 2022?

A. Yes, rate changes and bill impacts as a result of changes to the proposed August 1 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. 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 a result of these proposed changes. As shown, for customers on Default Service, the residential class average bill will decrease about 2.1%. General Service (G2) average bills will decrease about 2.3%. Large General Service (G1) average bills will decrease about 2.6%. Outdoor lighting average bills will decrease about 1.2%.

Pages 6 through 12 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.