UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No. DE 23-054

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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 for 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. I joined USC in June 1994 after earning my Bachelor of Science Degree in Mathematics from the University of New Hampshire. Since that time, I have been responsible for the preparation of various regulatory filings, including changes to the default service charges, 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 Default Service Charge ("DSC") effective August 1, 2023 as reflected in the redline tariffs provided as Schedule LSM-1.

Q. Does the proposed DSC affect any tariff pages not included in Schedule LSM-1?

A. Yes. UES's Summary of Low-Income Electric Assistance Program Discounts, incorporating the proposed Non-G1 (Residential) DSC, and UES's Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates would also be affected by the change to the DSC. However, UES has proposed, and will propose, other August 1, 2023 rate changes that will also affect these pages. More specifically, on June 1, 2023, UES filed its proposed August 1, 2023 Revenue Decoupling Adjustment Factors. On approximately June 16, 2023, UES intends to file its External Delivery Charge ("EDC") and Stranded Cost Charge ("SCC") for effect August 1, 2023. Therefore, at this time, in order to avoid confusion regarding overlapping proposed versions, UES intends to file these proposed tariff pages as part of its EDC/SCC filing where it will incorporate all proposed August 1 rates.

III. RETAIL RATE CALCULATIONS

Q. What are the proposed Non-G1 Class DSC?

A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-G1 DSC is $0.13257 per kWh and the proposed G2 and Outdoor Lighting ("OL")

Class fixed Non-G1 DSC is $0.12794 per kWh for the period August 1, 2023 through January 31, 2024. The proposed Residential Class variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1 DSC for this same period are also shown on this page.

The proposed DSC are comprised of two components, as shown on Schedule LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard ("RPS") Charge.

Q. What are the proposed Power Supply Charges and RPS Charge?

A. For the period August 1, 2023 through January 31, 2024, the proposed Residential Class fixed Non-G1 Power Supply Charge is $0.12687 per kWh, the proposed G2 and OL Class fixed Non-G1 Power Supply Charge is $0.12224 per kWh, and the proposed fixed Non-G1 RPS Charge is $0.00570 per kWh. These figures, as well as the variable amounts for the same period, are shown on Schedule LSM-1, Page 1.

Q. Have you compared how the proposed DSC rates compare to the current DSC and to the DSC effective last summer?

A. Yes, the table below provides a comparison of the fixed DSC, broken down by the Power Supply Charge and the RPS components, for these periods.

	Residential Class			G2 and OL Class		
	proposed 8/1/23	effective 12/1/22	effective 6/1/22	proposed 8/1/23	effective 12/1/22	effective 6/1/22
fixed Power Supply Charge	$0.12687	$0.25397	$0.09679	$0.12224	$0.24847	$0.08932
fixed RPS Charge	$0.00570	$0.00528	$0.00438	$0.00570	$0.00528	$0.00438
fixed DSC Charge ($/kWh)	$0.13257	$0.25925	$0.10117	$0.12794	$0.25375	$0.09370
% fixed Power Supply Charge to total	95.7%	98.0%	95.7%	95.5%	97.9%	95.3%
% fixed RPS Charge to total	4.3%	2.0%	4.3%	4.5%	2.1%	4.7%

Q. Please describe how the proposed Non-G1 fixed DSC rates compare to the Non-G1 fixed DSC rates in effect last summer.

A. The Residential Class fixed Non-G1 DSC in effect last summer, June 2022 through November 2022, was $0.10117 per kWh. The proposed Residential Class fixed Non-G1 DSC of $0.13257 per kWh is an increase of $0.03140 per kWh.

The G2 and OL Class fixed Non-G1 DSC in effect last summer, June 2022 through November 2022, was $0.09370 per kWh. The proposed G2 and OL Class fixed Non-G1 DSC of $0.12794 per kWh is an increase of $0.03424 per kWh.

These rate changes also recognize a change in the procurement period from a June to November schedule to an August to January schedule.

Q. Please describe how the proposed Non-G1 fixed DSC rates compare to the current rate.

A. The proposed Residential Class fixed Non-G1 DSC of $0.13257 per kWh is a decrease of $0.12668 per kWh from the current DSC of $0.25925 per kWh. The proposed G2 and OL Class fixed Non-G1 DSC of $0.12794 per kWh is a decrease of $0.12581 per kWh from the current DSC of $0.25375 per kWh. These decreases reflect lower contract costs for the period August 1, 2023 through January 31, 2024 compared to the contract costs for the current period December 1, 2022 through July 31, 2023.

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

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

Variable pricing is calculated by dividing the total costs for the month, including a partial reconciliation of costs and revenues through April 30, 2023, by the estimated monthly kWh purchases for the Residential Class and the G2 and OL Class. An estimated loss factor of 6.4% is then added to arrive at the proposed retail variable charges. Fixed pricing is calculated in a similar manner, except that the calculation is based on each class's total for the entire six month period.

Q. Have you made any adjustments to the reconciliation balances included in the Power Supply and RPS charges?

A. In order to determine the reconciliation amount included in the Non-G1 class power supply charge, the reconciliation balance as of April 30, 2023 was adjusted to recognize that estimated revenue in May, June and July 2023 should excede costs for this same period by an estimated $14,482,648. This adjustment recognizes that estimated costs for May, June and July 2023 are below the average cost for the entire period, December 2022-July 2023, while revenue will be primarily based on the fixed Power Supply Charge, of which most Non-G1 customers pay, and is determined using an average of costs for the entire December 2022-July 2023 period. This adjustment brings the expected reconciliation balance from $14,222,310 to ($260,338).

In order to determine the reconciliation amounts included in the Non-G1 class RPS, the reconciliation balance as of April 30, 2023 was adjusted to recognize that the current RPS charges, in effect through July 31, 2023, include a credit for the previous period's overcollection.

Since UES reconciles its costs on an annual basis, only a portion of the total reconciliation balances are reflected in the proposed Power Supply and RPS rates. UES apportioned the Power Supply balance and the RPS balance based on kWh over the twelve month period August 2023 through July 2024. The Power Supply reconciliation balance is further divided between the Residential Class and the

G2/OL Class, based on kWh. This calculation is provided on Page 1 of Schedule LSM-2 for Power Supply and Page 1 of Schedule LSM-3 for RPS.

Q. Have you provided details on the reconciliation?

A. Support for the April 30, 2023 Non-G1 class power supply reconciliation balance is provided on Schedule LSM-2, Page 2. Support for the April 30, 2023 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3, Page 2. As described above, those figures have been adjusted in order to arrive at the figures for collecton beginning August 1, 2023. Details for costs for the period March 2022 through April 2023 are provided on Page 3 of Schedule LSM-2 and LSM-3. Page 4 of Schedule LSM-2 and LSM-3 provides revenue details.

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

A. The details of forecasted costs for the period August 1, 2023 through January 31, 2024 are provided on Schedule LSM-2, Page 5. Line items for the various costs included in default service are shown and include: Non-G1 Class (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier Charges, GIS Support Payments, Supply Related Working Capital, Provision for Uncollected Accounts, Internal Company Administrative Costs, Legal Charges, Consulting Outside Service Charges, and the default service portion of the annual PUC Assessment allocated to the Non-G1 Class.

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

A. The details of forecasted costs for the period August 1, 2023 through January 31, 2024 are provided on Schedule LSM-3, Page 5. Costs include RECs and the associated working capital.

Q. How is working capital calculated?

A. Working capital included in the Power Supply Charge equals the sum of working capital for Non-G1 Class (Residential) DS Supplier Charges, plus Non-G1 Class (G2 and OL) DS Supplier Charges[1], plus GIS Support Payments, as shown on Schedule LSM-2, Pages 3 and 5. It is calculated by taking the product of Non-G1 Class (Residential) DS Supplier Charges plus Non-G1 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments and the number of days lag divided by 365 days (i.e. the working capital requirement) and multiplying it by the prime rate.

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

[1] In actuals, the supplier charges are provided in total in the column "Total Non-G1 Class DS Supplier Charges".

The calculation of working capital included in the Power Supply Charge and the RPS Charge for the period beginning August 1, 2023 both rely on the results of the 2022 Default Service and Renewable Energy Credits Lead Lag Study, presented by Mr. Nawazelski. The Non-G1 class Power Supply Charge working capital calculation uses 17.30 days and the Non-G1 class RPS Charge working capital calculation uses (255.27) days.

Q. What is the proposed G1 Class DSC?

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

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

A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges, excluding the supplier charge component, of $0.01408 per kWh in August 1, 2023 through January 31, 2024. The wholesale supply charge determined each month will be added to this amount to yield the monthly G1 class Power Supply Charge.

Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of $0.00686 per kWh for August 1, 2023 through December 31, 2023, and and $0.00719 per kWh in January 2024.

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

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

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

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

Each charge is calculated by dividing the costs for each month, including a partial reconciliation of costs and revenues through April 30, 2023, by the estimated G1 kWh purchases for the corresponding month. An estimated loss factor of 4.591% is then added to arrive at the proposed retail charges.

Similar to the Non-G1 power supply and RPS balances, the G1 class power supply and RPS reconciliation balances as of April 30, 2023 were adjusted in order to determine the reconcilation amount for this filing. Adjustments were

made to reflect that the current DSC include reconciliation of the February 28, 2022 power supply and RPS balances, and to incorporate the difference between the estimated supplier cost and revenue in May 2023. These adjustments are shown on Page 1 of Schedule LSM-4 and LSM-5.

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

A. The details of forecasted costs included in the Power Supply Charge for the period August 1, 2023 through January 31, 2024 are provided on Schedule LSM-4, Page 5. Line items for the various costs included in default service are shown and include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply Related Working Capital, Provision for Uncollected Accounts, Internal Company Administrative Costs, Legal Charges, Consulting Outside Service Charges, and the default service portion of the annual PUC Assessment allocated to the G1 Class. At the end of each month, UES will determine the supplier charge to be added to the monthly Power Supply Charge.

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

A. The details of forecasted costs included in the RPS Charge for the period August 1, 2023 through January 31, 2024 are provided on Schedule LSM-5,

Page 5. Costs include Renewable Energy Credits ("RECs") and the associated Working Capital.

Q. How is working capital calculated?

A. Working capital included in the Power Supply Charge equals the sum of working capital for Total G1 Class DS Supplier Charges plus GIS Support Payments and is shown on Schedule LSM-4, Pages 3 and 5. It is calculated by taking the product of Total G1 Class DS Supplier Charges plus GIS Support Payments and the number of days lag divided by 365 days (i.e. the working capital requirement) and multiplying it by the prime rate. As the Total G1 Class DS Supplier Charges for the upcoming rate period are not yet known, UES has estimated power supply costs for the purpose of estimating working capital. The estimate of power supply costs is based on the forecasted G1 class kWh purchases and an estimated price per kWh. The estimated price per kWh was determined by comparing a historical relationship between G1 and Non-G1 class supplier pricing and then applying that relationship to the current average Non-G1 supplier price per kWh. Actual working capital will be determined using the actual supplier charges in each month.

The calculation of working capital for RECs is included in the RPS Charge and is shown on Schedule LSM-5, Pages 3 and 5. It is calculated by taking

the product of RECs and the number of days lead divided by 365 days (i.e. the working capital requirement) and multiplying it by the prime rate.

The calculation of working capital included in the Power Supply Charge and the RPS Charge, effective August 1, 2023, both rely on the results of the 2022 Default Service and Renewable Energy Credits Lead Lag Study. The G1 class Power Supply Charge working capital calculation uses 3.51 days and the G1 class RPS Charge working capital calculation uses (261.54) days.

IV. BILL IMPACTS

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

A. Typical bill impacts for Non-G1 customers taking default service have been provided on Schedule LSM-6. Total bill impacts to G1 customers are unknown at this time and have therefore been excluded from Schedule LSM-6.

Pages 1 and 2 provide a table comparing the existing rates to the proposed rates for the residential and General Service 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 3 shows bill impacts versus current rates to the residential class based on the mean and median use. Page 3 is provided in a format similar to Pages 1 and 2.

Page 4 provides the overall average class bill impacts as a result of changes to the DSC versus current rates. As shown, for customers on Default Service, the residential class will decrease by approximately 34.9%, general service will decrease by approximately 36.4%, and outdoor lighting will decrease by approximately 23.8%.

Pages 5 through 10 of Schedule LSM-6 provide typical bill impacts versus current rates for all classes, excluding G1, for a range of usage levels.

Pages 11 and 12 provide a table comparing rates in effect in June 2022 to the proposed rates for the residential and General Service 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. Residential customers taking fixed default service will see increases of approximately 16.0% compared to last summer. G2 customers taking fixed default service will see increases of roughly 12-21% compared to last summer. These increases are mainly due to the change in the Default Service Charge.

V. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.