UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No. DE 23-054

December 1, 2023

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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 February 1, 2024 as reflected in the redline tariffs provided as Schedule LSM-1.

Q. Does the proposed DSC affect any tariff pages for effect February 1, 2024 not included in Schedule LSM-1?

A. Yes. The DSC is presented as part of the Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates, tariff page 5-A. In addition, the residential class DSC is used as part of the Summary of Low-Income Electric Assistance Program Discounts, tariff page 6. Both of these pages however are changing effective January 1, 2024 due to changes in UES's System Benefits Charge ("SBC") and, therefore, will be filed as part of this docket's compliance process for rates effective February 1, 2024.

Q. Will the proposed DSC affect any future tariff pages?

A. Yes. The DSC, as mentioned above, are included in the Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates, tariff page 5-A. In accordance with the Settlement in DE 20-170, the rates for whole house time of use and electric vehicles change not only when various rate components change (eg. Default service), they also change each June 1 (summer) and December 1 (winter) due to the application of seasonal ratios. Therefore, tariff page 5-A will require a change for effect June 1, 2024, applying summer ratios to approved rates (including the DSC).

Q. Why hasn't UES included its proposed June 1, 2024 tariff page 5-A with this filing now?

A. In addition to tariff page 5-A being affected by the pending January 1, 2024 SBC, and the proposed February 1, 2024 DSC, UES is considering proposing a Storm Recovery Adjustment Factor ("SRAF") for effect May 1, 2024. If UES does make a SRAF proposal, a May 1 and June 1, 2024 tariff page 5-A will be included in that filing. If a SRAF change is not required, UES will file tariff Page 5-A reflecting all June 1, 2024 rates no later than 30 days prior to the rates becoming effective in compliance with the appropriate docket and order.

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 $0.10718 per kWh and the proposed G2 and Outdoor Lighting ("OL") Class fixed Non-G1 DSC is $0.10038 per kWh for the period February 1, 2024 through July 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 February 1, 2024 through July 31, 2024, the proposed Residential Class fixed Non-G1 Power Supply Charge is $0.10141 per kWh, the proposed G2 and OL Class fixed Non-G1 Power Supply Charge is $0.09461 per kWh, and the proposed fixed Non-G1 RPS Charge is $0.00577 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 winter?

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 2/1/24	effective 8/1/23	effective 12/1/2022	proposed 2/1/24	effective 8/1/23	effective 12/1/2022
fixed Power Supply Charge	$0.10141	$0.12687	$0.25397	$0.09461	$0.12224	$0.24847
fixed RPS Charge	$0.00577	$0.00570	$0.00528	$0.00577	$0.00570	$0.00528
fixed DSC Charge ($/kWh)	$0.10718	$0.13257	$0.25925	$0.10038	$0.12794	$0.25375
% fixed Power Supply Charge to total	94.6%	95.7%	98.0%	94.3%	95.5%	97.9%
% fixed RPS Charge to total	5.4%	4.3%	2.0%	5.7%	4.5%	2.1%

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

A. The Residential Class fixed Non-G1 DSC in effect last winter, December 2022 through July 2023, was $0.25925 per kWh. The proposed Residential Class fixed Non-G1 DSC of $0.10718 per kWh is a decrease of $0.15207 per kWh.

The G2 and OL Class fixed Non-G1 DSC in effect last winter, December 2022 through July 2023, was $0.25375 per kWh. The proposed G2 and OL Class fixed Non-G1 DSC of $0.10038 per kWh is a decrease of $0.15337 per kWh.

These rate changes also recognize a change in the procurement period.

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

A. The proposed Residential Class fixed Non-G1 DSC of $0.10718 per kWh is a decrease of $0.02539 per kWh from the current DSC of $0.13257 per kWh. The proposed G2 and OL Class fixed Non-G1 DSC of $0.10038 per kWh is a decrease of $0.02756 per kWh from the current DSC of $0.12794 per kWh. These decreases reflect lower contract costs for the period February 1, 2024 through July 31, 2024 compared to the contract costs for the current period August 1, 2023 through January 31, 2024.

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[1], 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 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 February 1, 2024 through July 31, 2024 are provided on Schedule LSM-2, Page 2. 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

[1] In its June 9, 2023 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective February 1, 2024 to be ($127,383) 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 February 1, 2024 to be ($777,152) which is shown on Schedule LSM-3, Page 1.

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 February 1, 2024 through July 31, 2024 are provided on Schedule LSM-3, Page 2. 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, plus GIS Support Payments, as shown on Schedule LSM-2, Page 2. 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, Page 2. 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 both rely on the results of the 2022 Default Service and Renewable Energy Credits Lead Lag Study. 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. Has UES included its annual update to internal company administrative costs associated with providing default service?

A. Yes. The updated internal company administrative costs associated with providing default service proposed for effect February 1, 2024 are provided on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted identically to those submitted in prior years.

The Settlement Agreement in DE 05-064 allows UES to update these costs annually based on changes to labor costs and associated overheads. The labor hours allocated to DS reflect test year values and are not adjusted. UES has used an overhead rate of 97% based on the average for calendar year 2022. The updated labor costs by department are detailed on Schedule LSM-6, Page 2 of 2.

As shown on Page 1 of 2, the revised internal administrative costs associated with providing DS are $94,842. $37,054 of that amount is attributable to the Non-G1 class and $57,788 is attributable to the G1 class. The current internal administrative costs associated with providing DS are $89,301, with $34,943 attributable to the Non-G1 class and $54,359 attributable to the G1 class.

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 $0.01656 per kWh in February 1, 2024 through July 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 $0.00700 per kWh in February 1, 2024 through July 31, 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[2], by the estimated G1

[2] In its June 9, 2023 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective February 1, 2024 to be $310,521 which is shown on Schedule LSM-4, Page 1. UES provided the portion of the G1 Class RPS Charge reconciliation balance for recovery effective February 1, 2024 to be ($32,125) which is shown on Schedule LSM-5, Page 1.

kWh purchases for the corresponding month. An estimated loss factor of 4.591% is then added to arrive at the proposed retail charges.

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 February 1, 2024 through July 31, 2024 are provided on Schedule LSM-4, Page 2. 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 February 1, 2024 through July 31, 2024 are provided on Schedule LSM-5, Page 2. 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, Page 2. 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, Page 2. 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 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.

Q. Has UES calculated time differentiated DSC applicable to customers taking service under Schedule TOU-D, Schedule TOU-EV-D and Schedule TOU-EV-G2?

A. Yes, Schedule LSM-7 provides time differentiated DSC based on the proposed February 1, 2024 Non-G1 class fixed DSC. The previously filed and approved time differentiated distribution rates and External Delivery Charge-Transmission for these classes are also provided in order to show all rates that are time varying.

The factors shown on pages 1 and 3 were calculated using the ratios established in DE 20-170 in order to determine the Off Peak, Mid Peak and On Peak rates for the residential and G2 TOU/EV classes. These schedules provides the rates for the remainder of the winter (February 1, 2024 through May 31, 2024) period as well as the rates that would be effective in June and July 2024. UES will include these rates in its Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates, tariff page 5-A, when filed.

Q. Why does Schedule LSM-7 exclude the TOU-EV G1 class?

A. The TOU-EV G1 class has been excluded from this schedule as their DSC is not time differentiated.

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-8. Total bill impacts to G1 customers are unknown at this time and have therefore been excluded from Schedule LSM-8.

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 9.8%, general service will decrease by approximately 11.5%, and outdoor lighting will decrease by approximately 6.5%.

Pages 5 through 9 of Schedule LSM-8 provide typical bill impacts versus current rates for all classes, excluding G1, for a range of usage levels.

Pages 10 and 11 provide a table comparing rates in effect in February 2023 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 decreases of approximately 35.9% compared to last winter. Most G2 customers taking fixed default service will see decreases of approximately 38.8% compared to last winter. These decreases are due to the decrease in the proposed DSC.

V. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.