

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 23-____

June 1, 2023

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LIST OF SCHEDULES

Schedule LSM-1: RDAC Rate Calculation and Reconciliation

Schedule LSM-2: Class Bill Impacts

Schedule LSM-3: Illustrative Tariff Changes

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. I joined USC in June 1994 after earning my Bachelor of Science Degree in
13 Mathematics from the University of New Hampshire. Since that time, I have
14 been responsible for the preparation of various regulatory filings, price analysis,
15 and tariff changes.

16

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

19 A. Yes.

20

1 **II. PURPOSE OF TESTIMONY**

2 **Q. What is the purpose of your testimony in this proceeding?**

3 **A.**The purpose of my testimony is to present and explain the proposed Revenue
4 Decoupling Adjustment Factor (“RDAF”) for effect August 1, 2023. My
5 testimony will describe the rate calculations, reconciliation, and development of
6 the Revenue Decoupling Adjustment (“RDA”).
7

8 **Q. What type of support have you provided for the proposed rate change?**

9 **A.**Aside from schedules detailing the development of the RDA and RDAF, I have
10 also submitted the associated bill impacts, by class, as a result of the proposed
11 RDAF. In addition, I will discuss the proposed tariff impacts.
12

13 **III. REVENUE DECOUPLING**

14 **Q. Please provide a brief description of revenue decoupling.**

15 **A.**Revenue decoupling is a ratemaking mechanism that is designed to break the link
16 between a utility’s sales and revenues. By eliminating the link between customer
17 usage and company earnings, revenue decoupling removes the disincentive for
18 utilities to promote conservation and energy efficiency programs. Revenue
19 decoupling allows a utility to recover its base revenue requirement approved in its
20 most recent base rate case, or similar proceeding, despite changes in sales which
21 may be the result of factors such as increased customer conservation, net
22 metering, weather, or economic conditions.

1

2 **Q. As a result of revenue decoupling, does UES still determine and record lost**
3 **base revenue (“LBR”) and/or displaced distribution revenue?**

4 **A.** Effective June 1, 2022, the effective date of UES’s Revenue Decoupling
5 Adjustment Clause (“RDAC”), UES has stopped accruing LBR associated with
6 Energy Efficiency savings. Up until that time, UES still accrued LBR associated
7 with energy efficiency savings through May 31, 2022. Collection of LBR
8 occurred through the Systems Benefits Charge.

9

10 Similarly, also effective June 1, 2022, UES no longer calculates displaced
11 distribution revenue which it recovered through its External Delivery Charge
12 (“EDC”) each year, subject to review and approval by the Commission. The
13 Company’s next EDC, scheduled to be filed on approximately June 16, 2023, will
14 include the last displaced distribution revenue determination, recognizing impacts
15 through May 31, 2022.

16

17

18 **Q. Please explain the basis for UES’s RDAC.**

19 **A.** The approved RDAC provides for an adjustment to rates by comparing actual and
20 allowed revenues based on a revenue per customer (“RPC”) methodology. This
21 methodology was provided as part of the Settlement Agreement in UES’s last
22 base rate case, DE 21-030.

1

2 **III. RETAIL RATE CALCULATIONS**

3 **Q. What are the proposed RDAF?**

4 A. In accordance with its tariff, UES has calculated three RDAF, applicable to its 1)
5 residential domestic (D) and domestic time-of-use customers (TOU-D) customers,
6 2) its Regular General G2, G2 kWh Meter, and Quick Recovery Water Heating
7 and Space Heating customers, and 3) Large General Service - G1 customers. As
8 shown on Schedule LSM-1, Page 1, the proposed residential class RDAF is
9 \$0.00186 per kWh. The proposed Regular General service class RDAF is
10 (\$0.00002) per kWh. The proposed Large General Service class RDAF is
11 \$0.00014 per kWh. These factors are proposed to take effect August 1, 2023.

12

13 **Q. Please describe the calculation of the RDAF.**

14 A. Schedule LSM-1, Page 1 provides the details regarding the proposed RDAF for
15 the period August 1, 2023 through July 31, 2024. For each customer group, UES
16 determined the amount to be collected or credited over this period by summing
17 the beginning balance as of June 1, 2022 (the effective date of UES's RDAC), the
18 total of the monthly revenue variances ("MRV") calculated over the measurement
19 period of June 1, 2022 through March 31, 2023¹, and carrying charges for the

¹ The measurement period for UES's Revenue Decoupling Adjustment Clause is the
twelve-month period April 1 through March 31. The current filing, however, measures the RDA

1 period June 2022 through July 2024. The total of these amounts, shown on Line
2 5, was compared to the Revenue Decoupling Adjustment Cap (the “cap”) and
3 amounts eligible for collection were divided by estimated kWh sales for the rate
4 period in order to calculate the proposed RDAF.

5

6 **Q. What is the cap and how is it calculated?**

7 **A.** The cap is intended to limit the impact of the RDAF on customer bills and is
8 applicable to both over- and under-recoveries. It is calculated by taking three
9 percent of actual distribution revenues, for each Customer Group, over the
10 measurement period, June 2022 through March 2023. The calculation of the cap
11 for the current period is provided in the bottom section of Schedule LSM-1, Page
12 5.

13

14 **Q. Are any of the three Customer Group RDAF calculations impacted by the**
15 **cap?**

16 **A.** Yes. As shown on Schedule LSM-1, Page 1, line 5, the total RDA for the
17 domestic group is \$959,262. The cap for this group however was determined to
18 be \$911,619, resulting in a deferral of \$47,642. In accordance with its tariff, to
19 the extent the application of the cap results in a RDA that is less than the total

for the ten-month period June 1, 2022 through March 31, 2023 as the RDAC did not become
effective until June 1, 2022.

1 RDA for the period, the difference will be deferred with carrying charges and
2 included for recovery in the subsequent RDAF filing.
3

4 **Q. Has UES provided a reconciliation of the total RDA and the estimated**
5 **revenues or credits associated with the proposed RDAF?**

6 **A.** The reconciliation of the RDA and estimated RDAF revenues are provided on
7 Schedule LSM-1, Pages 2, 3, and 4. Page 2 provides the reconciliation for the
8 residential class. Page 3 provides the reconciliation for the Regular General service
9 class. Page 4 provides the reconciliation for the Large General Service class.
10

11 **Q. Where can details regarding the determination of the MRV shown in column**
12 **(b) and the Monthly RDAF revenue shown in column (c) of Schedule LSM-1,**
13 **Pages 2, 3 and 4 be found?**

14 **A.** The calculation of the MRV by customer class, during the period June 2022-
15 March 2023, are provided on Schedule LSM-1, Page 5. Schedule LSM-1, Page 7,
16 provides the estimated RDAF revenues for the August 2023-July 2024 period.
17

18 **Q. Please describe how the MRV was determined.**

19 **A.** In accordance with its tariff, the MRV was determined each month, June 2022
20 through March 2023, by comparing the actual revenues per customer to the
21 authorized revenues per customer for each customer class that is subject to the
22 Revenue Decoupling Adjustment Clause. The resulting differences by month

1 were summed by class to form the total MRV. The sum of the MRV for classes D
2 and TOU-D form the the total MRV for the domestic group. The sum of the MRV
3 for the G2, G2 kWh Meter, and G2 Quick Recovery Water Heating and Space
4 Heating form the total MRV for the General Service group. The sum of the MRV
5 for the G1 class forms the total MRV for the Large General Service group.

6

7 **Q. Where did the authorized revenues per customer come from?**

8 **A.**For the months June and July 2022, the approved authorized revenues per
9 customer were provided in UES's Compliance Filing in DE 21-030, dated May
10 16, 2022, on Revised Settlement Attachment 5, Page 3 of 7.

11

12 UES received approval of the authorized revenues per customer for the months
13 beginning August 2022 as part of DE 22-026. The monthly figures were provided
14 in the August 1, 2022 Compliance Filing, Fourth Revised Schedule CGKS-8
15 (Monthly RPC), Page 3 of 7.

16

17 **Q. How did UES determine the actual revenues per customer?**

18 **A.**The monthly actual revenues per customer were calculated by dividing actual
19 base revenues by actual monthly customer counts. Schedule LSM-1, Page 6,
20 provides details for both of these amounts. As shown, actual base revenues are
21 comprised of actual billed base revenues plus net unbilled revenue. Actual
22 customer counts were calculated by dividing actual customer charge revenue by

1 the effective customer charge. For the residential and G2 General Service classes,
2 adjustments to the customer counts were made to recognize the Riverwoods
3 metering conversion.

4
5 **Q. What is the Riverwoods metering conversion?**

6 **A.** During the course of DE 21-030, UES last base rate case, UES was in the process
7 of exploring a metering conversion at the Riverwoods continuing care retirement
8 community facility in Exeter, NH. The conversion would entail replacing
9 approximately 200 separate residential meters with approximately 3 or 4 G2
10 meters. At the time of preparing and filing DE 21-030, the exact configuration
11 was not known. Because of the conversion and its affect on actual customer
12 counts in comparison to test year customer counts, and consistent with section 4.5
13 of the Settlement Agreement in DE 21-030, UES has adjusted its actual customer
14 counts to account for the change in RiverWoods' metering by adding back the
15 number of residential customers lost and removing the number of G2 customers
16 added as the conversions occurred. As of March 2023, the conversions are
17 complete.

18

19 **Q. Why has UES included net unbilled revenue in its total actual base revenues**
20 **and how is it determined?**

21 **A.** Net unbilled revenue is included as part of actual base revenues each month in
22 accordance with UES's RDAC tariff. It is calculated by taking the difference in

1 unbilled revenue calculated for the current month less the unbilled revenue
2 calculated for the prior month. Monthly unbilled revenue is determined by
3 multiplying an estimate of unbilled kWh by the actual monthly average base rate.
4

5 **IV. BILL IMPACTS AND TARIFF CHANGES**

6 **Q. Have you included any bill impacts associated with the proposed RDAF?**

7 A. Typical bill impacts have been provided on Schedule LSM-2. As shown, for
8 customers on Default Service, residential class bills will increase by
9 approximately 0.5%, general service class bills will decrease less than 0.1%, and
10 large general service class bills will increase by approximately 0.1% due to the
11 proposed RDAF.
12

13 **Q. Do the proposed RDAF impact any of UES's tariffs?**

14 A. Yes. UES will include the RDAF on its Summary of Delivery Service Rates,
15 tariff Page 4, and Summary Of Whole House Residential Time Of Use Rates And
16 Electric Vehicle Rates, tariff Page 5-A. Additionally, the RDAF will be
17 incorporated into the discounts calculated on UES's Summary of Low-Income
18 Electric Assistance Program Discounts, tariff Page 6.
19

20 **Q. Has UES provided the affected tariff pages with this filing?**

21 A. UES has included the changes to Pages 4 and 5-A, provided as Schedule LSM-3,
22 in informational only form. Changes to these tariff pages were just recently

1 approved for effect June 1, 2023 as part of DE 23-014. On approximately June
2 16, 2023, UES intends to file rate changes, specifically its EDC and Stranded Cost
3 Charge (“SCC”), which will also affect these tariff pages and, like the RDAF, are
4 for effect August 1. Therefore, at this time, in order to avoid confusion regarding
5 overlapping versions due to approval and proposal dates, UES has included its
6 Summary of Delivery Service Rates, Page 4, and Summary Of Whole House
7 Residential Time Of Use Rates And Electric Vehicle Rates, Page 5-A, in
8 illustrative form only. As provided on these pages, a column has been added to
9 show the RDAF. An illustrative version of Page 6 has not been included with this
10 filing as the incorporation of the RDAF will impact the resulting discounts, and
11 not affect the format. As part of its EDC/SCC filing, UES intends to propose
12 tariff pages 4, 5-A and 6 for approval and will show all proposed August 1 rates,
13 including the RDAF.

14

15 **V. CONCLUSION**

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

17 **A.** Yes, it does.