

REDACTED

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 24-065

June 7, 2024

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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, including
15 changes to the default service charges, price analysis, and tariff changes.

16

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

19 A. Yes.

20

21 **II. PURPOSE OF TESTIMONY**

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

1 A. The purpose of my testimony is to present and explain the proposed changes to
 2 UES’s Default Service Charge (“DSC”) effective August 1, 2024 as reflected in
 3 the redline tariffs provided as Schedule LSM-1.
 4

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

7 A. Yes. UES’s Summary of Low-Income Electric Assistance Program Discounts,
 8 incorporating the proposed Non-G1 (Residential) DSC, and UES’s Summary Of
 9 Whole House Residential Time Of Use Rates And Electric Vehicle Rates would
 10 also be affected by the change to the DSC. However, UES has proposed, and will
 11 propose, other August 1, 2024 rate changes that will also affect these pages.
 12 More specifically, on May 24, 2024, UES filed its proposed August 1, 2024
 13 Revenue Decoupling Adjustment Factors. On approximately June 17, 2024, UES
 14 intends to file its External Delivery Charge (“EDC”) and Stranded Cost Charge
 15 (“SCC”) for effect August 1, 2024. Therefore, at this time, in order to avoid
 16 confusion regarding overlapping proposed versions, UES intends to file these
 17 proposed tariff pages as part of its EDC/SCC filing where it will incorporate all
 18 proposed August 1 rates.
 19

20 **Q. Has UES included tariff changes associated with NHPUC Order No. 26,973**
 21 **where the Commission approved a modification to the solicitation process**
 22 **whereby the Company will include a self-supply market based tranche of**
 23 **10% for Non-G1 customers?**

1 A. Yes. In compliance with the directive in the Order, Schedule LSM-1 includes
 2 revisions to UES’s Default Service, Schedule DS, tariff. The changes, provided
 3 in redline, are identical to those provided in response to discovery request DOE 1-
 4 Attachment 1 filed in DE 23-054.

5

6 **III. RETAIL RATE CALCULATIONS**

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

8 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
 9 G1 DSC is \$0.10506 per kWh and the proposed G2 and Outdoor Lighting (“OL”)
 10 Class fixed Non-G1 DSC is \$0.10027 per kWh for the period August 1, 2024
 11 through January 31, 2025. The proposed Residential Class variable Non-G1 DSC
 12 and the proposed G2 and OL Class variable Non-G1 DSC for this same period are
 13 also shown on this page.

14

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

18

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

20 A. For the period August 1, 2024 through January 31, 2025, the proposed Residential
 21 Class fixed Non-G1 Power Supply Charge is \$0.10334 per kWh, the proposed
 22 G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.09855 per kWh, and
 23 the proposed fixed Non-G1 RPS Charge is \$0.00172 per kWh. These figures, as

1 well as the variable amounts for the same period, are shown on Schedule LSM-1,
 2 Page 1.

3
 4 **Q. Have you compared how the proposed DSC rates compare to the current**
 5 **DSC and to the DSC effective last summer?**

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

	Residential Class			G2 and OL Class		
	proposed <u>8/1/24</u>	effective <u>2/1/24</u>	effective <u>8/1/23</u>	proposed <u>8/1/24</u>	effective <u>2/1/24</u>	effective <u>8/1/23</u>
fixed Power Supply Charge	\$0.10334	\$0.10141	\$0.12687	\$0.09855	\$0.09461	\$0.12224
fixed RPS Charge	<u>\$0.00172</u>	<u>\$0.00577</u>	<u>\$0.00570</u>	<u>\$0.00172</u>	<u>\$0.00577</u>	<u>\$0.00570</u>
fixed DSC Charge (\$/kWh)	\$0.10506	\$0.10718	\$0.13257	\$0.10027	\$0.10038	\$0.12794
% fixed Power Supply Charge to total	98.4%	94.6%	95.7%	98.3%	94.3%	95.5%
% fixed RPS Charge to total	1.6%	5.4%	4.3%	1.7%	5.7%	4.5%

8
 9 **Q. Please describe how the proposed Non-G1 fixed DSC rates compare to the**
 10 **Non-G1 fixed DSC rates in effect last summer.**

11 A. The Residential Class fixed Non-G1 DSC in effect last summer, August 2023
 12 through January 2024, was \$0.13257 per kWh. The proposed Residential Class
 13 fixed Non-G1 DSC of \$0.10506 per kWh is a decrease of \$0.02751 per kWh.

14
 15 The G2 and OL Class fixed Non-G1 DSC in effect last summer, August 2023
 16 through January 2024, was \$0.12794 per kWh. The proposed G2 and OL Class
 17 fixed Non-G1 DSC of \$0.10027 per kWh is a decrease of \$0.02767 per kWh.

1

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

4 A. The proposed Residential Class fixed Non-G1 DSC of \$0.10506 per kWh is a
5 decrease of \$0.00212 per kWh from the current DSC of \$0.10718 per kWh. The
6 proposed G2 and OL Class fixed Non-G1 DSC of \$0.10027 per kWh is a decrease
7 of \$0.00011 per kWh from the current DSC of \$0.10038 per kWh. These
8 decreases are the result of the change in the RPS Charge for the period August 1,
9 2024 through January 31, 2025 compared to the current period February 1, 2024
10 through July 31, 2024.

11

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

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

17

18 Variable pricing is calculated by dividing the total costs for the month, including a
19 partial reconciliation of costs and revenues through April 30, 2024, by the
20 estimated monthly kWh purchases for the Residential Class and the G2 and OL
21 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed
22 retail variable charges. Fixed pricing is calculated in a similar manner, except
23 that the calculation is based on each class's total for the entire six month period.

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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, 2024 was adjusted to recognize that estimated revenue in May, June and July 2024 should exceed costs for this same period by an estimated \$1,321,615. This adjustment recognizes that estimated costs for May, June and July 2024 are below the average cost for the entire rate period, February 2024-July 2024, 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 February 2024-July 2024 period. This adjustment, provided on Schedule LSM-2, Page 1, brings the expected reconciliation balance from \$1,977,418 to \$656,397.

In order to determine the reconciliation amounts included in the Non-G1 class RPS, the reconciliation balance as of April 30, 2024 was adjusted to recognize that the current RPS charges, in effect through July 31, 2024, include a credit for the previous period's overcollection and to include an accounting adjustment related to Class III Renewable Energy Certificates (RECs). These adjustments are shown on Schedule LSM-3, Page 1.

Q. Please describe the accounting adjustment related to the Class III RECs in more detail.

1 A. As described in the testimony of Mr. Pentz, the Class III RPS obligation for the
 2 2021 compliance year was initially set at 8% and therefore, UES began to
 3 purchase RECs under that requirement, procuring 14,500 RECs, or 2% of the
 4 assumed requirement. Because of the drop in the Class III requirement from 8%
 5 to 1%, for the 2021 compliance year, UES was only able to use part of the
 6 purchase to meet the 2021 compliance year and banked the remainder for use in
 7 the 2022 and/or 2023 compliance year. However, the full expense related to this
 8 procurement was recognized at the time of purchase. Upon review, UES
 9 determined that the expense should track with the use of the RECs and therefore,
 10 an adjustment to working capital and interest is required to recognize that part of
 11 the costs should have instead been included in 2023 (for the portion of the Class
 12 III RECS used for the 2022 compliance year) and 2024 (for the portion of the
 13 Class III RECs used in for the 2023 compliance year, plus the expired RECs).
 14 Adjusting the timing of these expenses results in a working capital and interest
 15 credit of \$39,190 for the Non-G1 Class as shown on Schedule LSM-3, Page 1 of
 16 5.

17
 18 Since UES reconciles its costs on an annual basis, only a portion of the total
 19 reconciliation balances are reflected in the proposed Power Supply and RPS rates.
 20 UES apportioned the Power Supply balance and the RPS balance based on kWh
 21 over the twelve month period August 2024 through July 2025. The Power Supply
 22 reconciliation balance is further divided between the Residential Class and the

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

3

4 **Q. Have you provided details on the reconciliation?**

5 A. Support for the April 30, 2024 Non-G1 class power supply reconciliation balance
6 is provided on Schedule LSM-2, Page 2. Support for the April 30, 2024 Non-G1
7 class RPS reconciliation balance is provided on Schedule LSM-3, Page 2. As
8 described above, those figures have been adjusted in order to arrive at the figures
9 for collection beginning August 1, 2024. Details for costs for the period May 2023
10 through April 2024 are provided on Page 3 of Schedule LSM-2 and LSM-3. Page
11 4 of Schedule LSM-2 and LSM-3 provides revenue details.

12

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

15 A. The details of forecasted costs for the period August 1, 2024 through January
16 31, 2025 are provided on Schedule LSM-2, Page 5. Line items for the various
17 costs included in default service are shown and include: Non-G1 Class
18 (Residential) DS Supplier and Market Charges, Non-G1 Class (G2 and OL)
19 DS Supplier and Market Charges, GIS Support Payments, Supply Related
20 Working Capital, Provision for Uncollected Accounts, Internal Company
21 Administrative Costs, Legal Charges, Consulting Outside Service Charges,
22 and the default service portion of the annual PUC Assessment allocated to the
23 Non-G1 Class.

1

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

4 A. The details of forecasted costs for the period August 1, 2024 through January
 5 31, 2025 are provided on Schedule LSM-3, Page 5. Costs include RECs and
 6 the associated working capital.

7

8 **Q. How is working capital calculated?**

9 A. Working capital included in the Power Supply Charge equals the sum of
 10 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus
 11 Non-G1 Class (G2 and OL) DS Supplier Charges¹, plus GIS Support
 12 Payments, as shown on Schedule LSM-2, Pages 3 and 5. It is calculated by
 13 taking the product of Non-G1 Class (Residential) DS Supplier Charges plus
 14 Non-G1 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments
 15 and the number of days lag divided by 365 days (i.e. the working capital
 16 requirement) and multiplying it by the prime rate.

17

18 Beginning August 1, 2024, working capital included in the Power Supply
 19 Charge will also include working capital based on Non-G1 Class (Residential)
 20 DS Market Charges plus Non-G1 Class (G2 and OL) DS Market Charges. It

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

1 is calculated by taking the product of Non-G1 Class (Residential) DS Market
 2 Charges plus Non-G1 Class (G2 and OL) DS Market Charges and the number
 3 of days lag divided by 365 days (i.e. the working capital requirement) and
 4 multiplying it by the prime rate.

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

10
 11 The calculation of working capital included in the Power Supply Charge and
 12 the RPS Charge for the period beginning August 1, 2024 rely on the results of
 13 the 2023 Default Service and Renewable Energy Credits Lead Lag Study,
 14 presented by Mr. Nawazelski. The Non-G1 class Power Supply Charge
 15 working capital calculation uses 21.82 days for the supplier charges/GIS
 16 component, and 48.28 days for the market charges. The Non-G1 class RPS
 17 Charge working capital calculation uses (293.00) days.

18

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

22 A. Yes, Schedule LSM-6, Page 1 of 1, provides time differentiated DSC based on
 23 the proposed August 1, 2024 Non-G1 class fixed DSC. The factors were

1 calculated using the ratios established in DE 20-170 in order to determine the
2 Off Peak, Mid Peak and On Peak rates for the residential and G2 TOU/EV
3 classes. This schedule provides the rates for the remainder of the summer
4 (August 1, 2024 through November 30, 2024) period as well as the rates that
5 would be effective in December 2024 and January 2025. As noted earlier in
6 my testimony, UES will include these rates in its Summary Of Whole House
7 Residential Time Of Use Rates And Electric Vehicle Rates, tariff page 5-A,
8 when filed.

9

10 **Q. What is the proposed G1 Class DSC?**

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

17

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

20 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
21 excluding the supplier charge component, of \$0.05707 per kWh in August 1, 2024
22 through January 31, 2025. The wholesale supply charge determined each month
23 will be added to this amount to yield the monthly G1 class Power Supply Charge.

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Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of (\$0.00315) per kWh for August 1, 2024 through December 31, 2024, and and (\$0.00282) per kWh in January 2025.

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, 2024, 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, 2024 were adjusted in

1 order to determine the reconciliation amount for this filing. Adjustments were
 2 made to reflect that the current DSC include reconciliation of the April 30, 2023
 3 power supply and RPS balances, to incorporate the difference between the
 4 estimated supplier cost and revenue in May 2024, and similar to the Non-G1
 5 Class RPS, to credit working capital and interest for \$3,141 associated with the
 6 Class III RECs adjustment. These adjustments are shown on Page 1 of Schedule
 7 LSM-4 and LSM-5.

8
 9 **Q. Have you provided support for the total forecast costs shown on Page 1,
 10 line 2 of Schedule LSM-4?**

11 A. The details of forecasted costs included in the Power Supply Charge for the
 12 period August 1, 2024 through January 31, 2025 are provided on Schedule
 13 LSM-4, Page 5. Line items for the various costs included in default service
 14 are shown and include: Total G1 Class DS Supplier Charges, GIS Support
 15 Payments, Supply Related Working Capital, Provision for Uncollected
 16 Accounts, Internal Company Administrative Costs, Legal Charges, Consulting
 17 Outside Service Charges, and the default service portion of the annual PUC
 18 Assessment allocated to the G1 Class. At the end of each month, UES will
 19 determine the supplier charge to be added to the monthly Power Supply
 20 Charge.

21
 22 **Q. Have you provided support for the total forecast costs shown on Page 1,
 23 line 2 of Schedule LSM-5?**

1 A. The details of forecasted costs included in the RPS Charge for the period
2 August 1, 2024 through January 31, 2025 are provided on Schedule LSM-5,
3 Page 5. Costs include Renewable Energy Credits (“RECs”) and the associated
4 Working Capital.

5
6 **Q. How is working capital calculated?**

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

22

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

5
 6 The calculation of working capital included in the Power Supply Charge and
 7 the RPS Charge, effective August 1, 2024, rely on the results of the 2023
 8 Default Service and Renewable Energy Credits Lead Lag Study. The G1
 9 class Power Supply Charge working capital calculation uses 4.34 days and the
 10 G1 class RPS Charge working capital calculation uses (310.56) days.

11
 12 **Q. Referring to Schedule LSM-6, why is the TOU-EV G1 class excluded?**

13 A. The TOU-EV G1 class has been excluded from this schedule as their DSC is
 14 not time differentiated. The DSC included in UES's Summary Of Whole
 15 House Residential Time Of Use Rates And Electric Vehicle Rates, tariff page
 16 5-A, is the same DSC applicable to all G1 customers.

17
 18 **IV. BILL IMPACTS**

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

21 A. Typical bill impacts for Non-G1 customers taking default service have been
 22 provided on Schedule LSM-7. Total bill impacts to G1 customers are unknown at
 23 this time and have therefore been excluded from Schedule LSM-7.

1

2 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
3 for the residential and General Service rate classes. These pages also show the
4 impact on a typical bill for each class in order to identify the effect of each rate
5 component on a typical bill.

6

7 Page 3 shows bill impacts versus current rates to the residential class based on the
8 mean and median use. Page 3 is provided in a format similar to Pages 1 and 2.

9

10 Page 4 provides the overall average class bill impacts as a result of changes to the
11 DSC versus current rates. As shown, for customers on Default Service, the
12 residential class will decrease by approximately 0.9%, general service will
13 decrease by approximately 0.1%, and outdoor lighting will decrease by less than
14 0.1%.

15

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

18

19 Pages 11 and 12 provide a table comparing rates in effect in August 2023 to the
20 proposed rates for the residential and General Service rate classes. These pages
21 also show the impact on a typical bill for each class in order to identify the effect
22 of each rate component on a typical bill. Residential customers taking fixed
23 default service will see decreases of approximately 10.1% compared to last

1 summer. G2 customers taking fixed default service will see decreases of roughly
2 11% compared to last summer. These decreases are due to the change in the
3 Default Service Charge.

4

5 **V. CONCLUSION**

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

7 **A.** Yes, it does.