

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 11-028

March 11, 2011

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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 II at 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. In 1994 I graduated *cum laude* from the University of New Hampshire with a
13 Bachelor of Science Degree in Mathematics. Since joining USC in June 1994, I
14 have 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' Default Service Charge ("DSC") effective May 1, 2011, as reflected in the
3 redline tariffs provided as Schedule LSM-1.

4

5 My testimony will focus on the reconciliation and rate development for the DSC.
6 UES witness Robert S. Furino is sponsoring testimony which addresses the costs
7 associated with these changes.

8

9 **Q. Is UES proposing any other tariff changes for effect May 1, 2011?**

10 A. Because UES incorporates the Non-G1 DSC into its Summary of Low-Income
11 Electric Assistance Program Discounts, the proposed May 1 DSC change would
12 affect that tariff page. In addition, UES has proposed other tariff changes, in a
13 separate docket, pending approval for effect May 1, 2011. UES intends to
14 incorporate all approved rate changes into the Summary of Low-Income Electric
15 Assistance Program Discounts by filing a compliance tariff reflecting all approved
16 tariff changes taking effect May 1, 2011.

17

18 **III. RETAIL RATE CALCULATIONS**

19 **Q. What is the proposed Non-G1 Class DSC?**

20 A. As shown on Schedule LSM-1, Page 1, the proposed Non-G1 Fixed DSC is
21 \$0.07274 per kWh for the Non-G1 Class for the period May 1, 2011 through

1 October 31, 2011. The proposed Non-G1 Variable DSC for this same period is
2 also shown on this page.

3
4 The proposed DSC are comprised of two components, as shown on Schedule
5 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
6 (“RPS”) Charge.

7
8 **Q. What is the proposed Power Supply Charge and RPS Charge?**

9 A. For the period May 1, 2011 through October 31, 2011, the proposed Non-G1
10 Fixed Power Supply Charge is \$0.07094 per kWh and the proposed Non-G1
11 Fixed RPS Charge is \$0.00180 per kWh. Both of these figures, as well as the
12 variable amounts for the same period, are shown on Schedule LSM-1, Page 1.

13
14 **Q. How does the Non-G-1 fixed DSC rate compare to the current rate?**

15 A. The Non-G1 Fixed DSC of \$0.07274 per kWh is a decrease of \$0.00625 per kWh
16 from the current DSC of \$0.07899 per kWh. This decrease reflects lower contract
17 costs for the period May 1, 2011 through October 31, 2011 compared to the
18 contract costs for the current period November 1, 2010 through April 30, 2011.

19
20 **Q. Please describe the calculation of the Non-G1 class DSC.**

21 A. The rate calculations for the Non-G1 class Power Supply Charges, Fixed and
22 Variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the

1 Non-G1 class RPS Charges, Fixed and Variable, are provided on Schedule LSM-
2 3, Page 1. Both charges are calculated in the same manner.

3

4 The Variable Charge is calculated by dividing the total costs for the month,
5 including a partial reconciliation of costs and revenues through January 31, 2011,
6 by the estimated monthly Non-G1 kWh purchases. An estimated loss factor of
7 6.4% is then added to arrive at the proposed retail Variable Charges. The Fixed
8 Charge is calculated in a similar manner, except that the calculation is based on
9 totals for the entire six month period.

10

11 In order to determine the reconciliation amount included in the Non-G1 class
12 power supply, the reconciliation balance as of January 31, 2011 was adjusted to
13 recognize that the current power supply charges, in effect through April 30, 2011,
14 include a credit for the overcollection as of January 31, 2010. Expenses related to
15 UES' Smart Grid were also removed from the reconciliation balance as UES
16 plans to seek recovery of these costs beginning November 1, 2011. Per the
17 Settlement in DE 09-137, UES is limited to a one year recovery of Smart Grid
18 expense and is delaying recovery so that the full costs of the program will be
19 known.

20

21 In order to determine the reconciliation amounts included in the Non-G1 class
22 RPS, the reconciliation balance as of January 31, 2011 was adjusted to account

1 for RPS. The Non-G1 class RPS reconciliation balance also includes an
2 adjustment to recognize that the current RPS charges, in effect through April 30,
3 2011, include a charge for the undercollection as of January 31, 2010.

4
5 Since UES reconciles its costs on an annual basis, only a portion of the total
6 reconciliation balances are reflected in the proposed Power Supply and RPS rates.
7 UES apportioned the Power Supply balance and the RPS balance based on kWh
8 over the twelve month period May 2011 through April 2012. This calculation is
9 provided on Page 1 of Schedule LSM-2 for Power Supply and Page 1 of Schedule
10 LSM-3 for RPS.

11
12 **Q. Please explain the adjustment to the reconciliation balance related to**
13 **accounting for RPS.**

14 A. This adjustment recognizes that RPS revenue includes recovery of estimated RPS
15 costs. However, these costs have not yet been fully paid but are being accrued.
16 In order to prevent refunding these amounts, UES has added the amounts it has
17 already collected in rates to the reconciliation balance. This method ensures that
18 customers are appropriately compensated through the interest calculation, which
19 reflects that these costs have not yet been paid.

20
21 **Q. Have you provided details on the reconciliation?**

1 A. Support for the January 31, 2011 Non-G1 class power supply reconciliation
2 balance is provided on Schedule LSM-2, Page 2. Support for the January 31,
3 2011 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3,
4 Page 2. As described above, those figures have been adjusted in order to arrive at
5 the figures for collection beginning May 1, 2011. Details for costs for the period
6 February 2010 through January 2011 are provided on Page 3 of Schedule LSM-2
7 and 3. Page 4 of Schedule LSM-2 and 3 provides revenue details.

8

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

11 A. The details of forecasted costs for the period May through October 2011 are
12 provided on Schedule LSM-2, Page 5. Line items for the various costs
13 included in default service are shown and include: Total Non-G1 Class DS
14 Supplier Charges, GIS Support Payments, Supply Related Working Capital,
15 Provision for Uncollected Accounts, Internal Company Administrative Costs,
16 Legal Charges, and Consulting Outside Service Charges.

17

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

20 A. The details of forecasted costs for the period May through October 2011 are
21 provided on Schedule LSM-3, Page 5. Costs include Renewable Energy
22 Credits (“RECs”) and the associated working capital.

1

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

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

9

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

14

15 The calculation of working capital included in the Power Supply Charge and
16 the RPS Charge both rely on the results of the 2010 Default Service and
17 Renewable Energy Credits Lead Lag Study, presented by Ms. Guay. The
18 Non-G1 class Power Supply Charge working capital calculation uses 22.08
19 days and the Non-G1 class RPS Charge working capital calculation uses
20 (292.83) days.

21

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

1 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable DSC of \$0.07107 per
2 kWh in May 2011, \$0.06500 per kWh in June 2011 and \$0.06663 per kWh in July
3 2011. There is no fixed option DSC for the G1 class.

4

5 The proposed DSC are comprised of two componets, as shown on Schedule LSM-
6 1, Page 2: A Power Supply Charge and a Renewable Portfolio Standard (“RPS”)
7 Charge.

8

9 **Q. What is the proposed Power Supply Charge and RPS Charge?**

10 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable Power Supply Charges
11 of \$0.06814 per kWh in May 2011, \$0.06207 per kWh in June 2011, and
12 \$0.06370 per kWh in July 2011.

13

14 Also shown on Schedule LSM-1, Page 2, is the proposed G1 Variable RPS
15 Charge of \$0.00293 per kWh in May, June and July 2011.

16

17 **Q. How do the G1 DSC compare to the current rate?**

18 A. The current DSC, based on a simple three-month average, is \$0.06922 per kWh.
19 The proposed rate, based on a simple three-month average, is \$0.06757 per kWh.
20 This is a decrease of \$0.00165 per kWh, on average, from the current rate. The
21 decrease reflects current market prices.

22

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

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

6

7 The Variable Charge is calculated by dividing the costs for each month, including
8 a partial reconciliation of costs and revenues through January 31, 2011, by the
9 estimated G1 kWh purchases for the corresponding month. An estimated loss
10 factor of 4.591% is then added to arrive at the proposed retail Variable Charges.

11

12 Similar to the Non-G1 power supply and RPS balances, the G1 class power
13 supply and RPS reconciliation balances as of January 31, 2011 were adjusted in
14 order to determine the reconciliation amount for this filing. Adjustments were
15 made to reflect that the current DSC include reconciliation of the January 1, 2010
16 power supply and RPS balances, and to adjust to account for RPS.

17 These adjustments are also provided on Page 1 of Schedule LSM-4 and 5.

18

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

20 A. Support for the January 31, 2011 G1 class power supply reconciliation balance is
21 provided on Schedule LSM-4, Page 2. Support for the January 31, 2011 G1 class
22 RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As described

1 above, those figures have been adjusted in order to arrive at the figures for
2 collection beginning May 1, 2011. Details for costs for the period February 2010
3 through January 2011 are provided on Page 3 of Schedule LSM-4 and 5. Page 4
4 of Schedule LSM-4 and 5 provides revenue details.

5

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

8 A. The details of forecasted costs included in the Power Supply Charge for the
9 period May through July 2011 are provided on Schedule LSM-4, Page 5.

10 Line items for the various costs included in default service are shown and
11 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply
12 Related Working Capital, Provision for Uncollected Accounts, Internal
13 Company Administrative Costs, Legal Charges, and Consulting Outside
14 Service Charges.

15

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

18 A. The details of forecasted costs included in the RPS Charge for the period May
19 through July 2011 are provided on Schedule LSM-5, Page 5. Costs include
20 Renewable Energy Credits (“RECs”) and the associated Working Capital.

21

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

1 A. Working capital included in the Power Supply Charge equals the sum of
2 working capital for Total G1 Class DS Supplier Charges plus GIS Support
3 Payments, as shown on Schedule LSM-4, Page 5. It is calculated by taking
4 the product of Total G1 Class DS Supplier Charges plus GIS Support
5 Payments and the number of days lag divided by 365 days (i.e. the working
6 capital requirement) and multiplying it by the prime rate.

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

12
13 The calculation of working capital included in the Power Supply Charge and
14 the RPS Charge both rely on the results of the 2010 Default Service and
15 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
16 Charge working capital calculation uses 5.40 days and the G1 class RPS
17 Charge working capital calculation uses (314.32) days.

18
19 **IV. BILL IMPACTS**

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

1 A. Typical bill impacts as a result of changes to the DSC have been provided in
2 Schedule LSM-6.

3
4 Pages 1 through 3 provide a table comparing the existing rates to the proposed
5 rates for all the rate classes. These pages also show the impact on a typical bill
6 for each class in order to identify the effect of each rate component on a typical
7 bill.

8
9 Page 4 shows bill impacts to the residential class based on the mean and median
10 use. Page 4 is provided in a format similar to Pages 1 through 3.

11
12 Page 5 provides the overall average class bill impacts as a result of changes to the
13 DSC. As shown, for customers on Default Service, the residential class will
14 decrease by approximately 4.5%, general service will decrease by approximately
15 4.6%, large general service will decrease by approximately 1.5% and outdoor
16 lighting will decrease by approximately 2.6%.

17
18 Pages 6 through 11 of Schedule LSM-6 provide typical bill impacts for all classes
19 for a range of usage levels.

20
21 **V. CONCLUSION**

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

1 A. Yes, it does.