

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF  
LINDA S. MCNAMARA**

**New Hampshire Public Utilities Commission**

**Docket No. DE 12-003**

**March 9, 2012**

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**Schedule LSM-1: Redline Tariffs**

**Schedule LSM-2: Non-G1 Class Retail Rate Calculations - Power Supply Charge**

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**Schedule LSM-7: Redline NonG1 Default Service Tariff , Non-G1 Class Retail  
Rate Calculation – Power Supply Charge, and Bill Impacts  
Excluding Customer Billing Adjustment and Remainder of  
Smart Grid Expenses**

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's Default Service Charge ("DSC") effective May 1, 2012, 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 Todd Bohan 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, 2012?**

10 A. Yes. Schedule LSM-1, Page 3 of 3, provides a proposed Schedule RSO, the  
11 Renewable Source Option, tariff page 108, for effect May 1, 2012. Mr. Bohan  
12 provides support for the rates shown.

13

14 In addition, because UES incorporates the Non-G1 DSC into its Summary of  
15 Low-Income Electric Assistance Program Discounts, the proposed May 1 DSC  
16 change would affect that tariff page. However, UES has proposed other tariff  
17 changes, in separate dockets, pending approval for effect May 1, 2012. UES  
18 intends to incorporate all approved rate changes into the Summary of Low-  
19 Income Electric Assistance Program Discounts by filing a compliance tariff  
20 reflecting all approved tariff changes taking effect May 1, 2012.

21

22 **III. RETAIL RATE CALCULATIONS**

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

2 A. As shown on Schedule LSM-1, Page 1, the proposed Non-G1 Fixed DSC is  
3 \$0.07085 per kWh for the Non-G1 Class for the period May 1, 2012 through  
4 October 31, 2012. The proposed Non-G1 Variable DSC for this same period is  
5 also shown on this page.

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

10

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

12 A. For the period May 1, 2012 through October 31, 2012, the proposed Non-G1  
13 Fixed Power Supply Charge is \$0.06769 per kWh and the proposed Non-G1  
14 Fixed RPS Charge is \$0.00316 per kWh. Both of these figures, as well as the  
15 variable amounts for the same period, are shown on Schedule LSM-1, Page 1.

16

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

18 A. The proposed Non-G1 Fixed DSC of \$0.07085 per kWh is a decrease of \$0.00941  
19 per kWh from the current DSC of \$0.08026 per kWh. This decrease reflects  
20 lower contract costs for the period May 1, 2012 through October 31, 2012  
21 compared to the contract costs for the current period November 1, 2011 through  
22 April 30, 2012.

1

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

3 A. The rate calculations for the Non-G1 class Power Supply Charges, Fixed and  
4 Variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the  
5 Non-G1 class RPS Charges, Fixed and Variable, are provided on Schedule LSM-  
6 3, Page 1. Both charges are calculated in a similar manner.

7

8 The Variable Charge is calculated by dividing the total costs for the month,  
9 including a partial reconciliation of costs and revenues through January 31, 2012,  
10 by the estimated monthly Non-G1 kWh purchases. An estimated loss factor of  
11 6.4% is then added to arrive at the proposed retail Variable Charges. The Fixed  
12 Charge is calculated in a similar manner, except that the calculation is based on  
13 totals for the entire six month period.

14

15 In order to determine the reconciliation amount included in the Non-G1 class  
16 power supply charge, the reconciliation balance as of January 31, 2012 was  
17 adjusted to recognize that the current power supply charges, in effect through  
18 April 30, 2012, include a charge for the undercollection as of January 31, 2011.  
19 A second adjustment was made in order to collect the remaining Smart Grid  
20 expenses in the May-October 2012 period. Per the Settlement in DE 09-137, UES  
21 is limited to a one year recovery of Smart Grid expense and began collection of  
22 the costs on November 1, 2011 in its DSC approved by Order No. 25,269.

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In order to determine the reconciliation amounts included in the Non-G1 class RPS, the reconciliation balance as of January 31, 2012 was adjusted to account for RPS. The Non-G1 class RPS reconciliation balance also includes an adjustment to recognize that the current RPS charges, in effect through April 30, 2012, include a credit for the overcollection as of January 31, 2011.

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 May 2012 through April 2013. This calculation is provided on Page 1 of Schedule LSM-2 for Power Supply and Page 1 of Schedule LSM-3 for RPS. As noted above, the Power Supply reconciliation amount for May to October 2012, shown on Page 1 of Schedule LSM-2, also includes the remaining Smart Grid expenses.

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

A. This adjustment recognizes that RPS revenue includes recovery of estimated RPS costs. However, these costs have not yet been fully paid but are being accrued. In order to prevent refunding these amounts, UES has added the amounts it has already collected in rates to the reconciliation balance. This method ensures that

1 customers are appropriately compensated through the interest calculation, which  
2 reflects that these costs have not yet been paid.

3

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

5 A. Support for the January 31, 2012 Non-G1 class power supply reconciliation  
6 balance is provided on Schedule LSM-2, Page 2. Support for the January 31,  
7 2012 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3,  
8 Page 2. As described above, those figures have been adjusted in order to arrive at  
9 the figures for collection beginning May 1, 2012. Details for costs for the period  
10 February 2011 through January 2012 are provided on Page 3 of Schedule LSM-2  
11 and LSM-3. Page 4 of Schedule LSM-2 and LSM-3 provides revenue details. As  
12 noted on Page 4 of Schedule LSM-2, revenue reflects a customer billing  
13 adjustment, made in August 2011, of (\$1,152,493.18) with the associated interest  
14 adjustment shown on Page 2 of Schedule LSM-2.

15

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

18 A. The details of forecasted costs for the period May through October 2012 are  
19 provided on Schedule LSM-2, Page 5. Line items for the various costs  
20 included in default service are shown and include: Total Non-G1 Class DS  
21 Supplier Charges, GIS Support Payments, Supply Related Working Capital,

1 Provision for Uncollected Accounts, Internal Company Administrative Costs,  
2 Legal Charges, and Consulting Outside Service Charges.

3

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

6 A. The details of forecasted costs for the period May through October 2012 are  
7 provided on Schedule LSM-3, Page 5. Costs include Renewable Energy  
8 Credits (“RECs”) and the associated working capital.

9

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

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

17

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

22

1 The calculation of working capital included in the Power Supply Charge and  
2 the RPS Charge both rely on the results of the 2011 Default Service and  
3 Renewable Energy Credits Lead Lag Study, presented by Ms. Guay. The  
4 Non-G1 class Power Supply Charge working capital calculation uses 21.69  
5 days and the Non-G1 class RPS Charge working capital calculation uses  
6 (269.29) days.

7

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

9 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable DSC of \$0.04507 per  
10 kWh in May 2012, \$0.04184 per kWh in June 2012 and \$0.04234 per kWh in July  
11 2012. There is no fixed option DSC for the G1 class.

12

13 The proposed DSC are comprised of two componets, as shown on Schedule LSM-  
14 1, Page 2: A Power Supply Charge and a Renewable Portfolio Standard (“RPS”)  
15 Charge.

16

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

18 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable Power Supply Charges  
19 of \$0.04302 per kWh in May 2012, \$0.03979 per kWh in June 2012, and  
20 \$0.04029 per kWh in July 2012.

21

1 Also shown on Schedule LSM-1, Page 2, is the proposed G1 Variable RPS  
2 Charge of \$0.00205 per kWh in May, June and July 2012.

3

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

5 A. The current DSC, based on a simple three-month average, is \$0.06723 per kWh.  
6 The proposed rate, based on a simple three-month average, is \$0.04308 per kWh.  
7 This is a decrease of \$0.02415 per kWh, on average, from the current rate. The  
8 decrease reflects current market prices.

9

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

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

15

16 The Variable Charge is calculated by dividing the costs for each month, including  
17 a partial reconciliation of costs and revenues through January 31, 2012, by the  
18 estimated G1 kWh purchases for the corresponding month. An estimated loss  
19 factor of 4.591% is then added to arrive at the proposed retail Variable Charges.

20

21 Similar to the Non-G1 power supply and RPS balances, the G1 class power  
22 supply and RPS reconciliation balances as of January 31, 2012 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 January 1, 2011  
3 power supply and RPS balances, and to adjust to account for RPS.  
4 These adjustments are also provided on Page 1 of Schedule LSM-4 and LSM-5.

5

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

7 A. Support for the January 31, 2012 G1 class power supply reconciliation balance is  
8 provided on Schedule LSM-4, Page 2. Support for the January 31, 2012 G1 class  
9 RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As described  
10 above, those figures have been adjusted in order to arrive at the figures for  
11 collection beginning May 1, 2012. Details for costs for the period February 2011  
12 through January 2012 are provided on Page 3 of Schedule LSM-4 and LSM-5.  
13 Page 4 of Schedule LSM-4 and LSM-5 provides revenue details.

14

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

17 A. The details of forecasted costs included in the Power Supply Charge for the  
18 period May through July 2012 are provided on Schedule LSM-4, Page 5.  
19 Line items for the various costs included in default service are shown and  
20 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply  
21 Related Working Capital, Provision for Uncollected Accounts, Internal

1 Company Administrative Costs, Legal Charges, and Consulting Outside  
2 Service Charges.

3

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

6 A. The details of forecasted costs included in the RPS Charge for the period May  
7 through July 2012 are provided on Schedule LSM-5, Page 5. Costs include  
8 Renewable Energy Credits (“RECs”) and the associated Working Capital.

9

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

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

17

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

22

1 The calculation of working capital included in the Power Supply Charge and  
2 the RPS Charge both rely on the results of the 2011 Default Service and  
3 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply  
4 Charge working capital calculation uses 8.88 days and the G1 class RPS  
5 Charge working capital calculation uses (271.11) days.

6

7 **IV. BILL IMPACTS**

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

10 A. Typical bill impacts isolating the impact of changes to the DSC have been  
11 provided in Schedule LSM-6.

12

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

17

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

20

21 Page 5 provides the overall average class bill impacts as a result of changes to the  
22 DSC. As shown, for customers on Default Service, the residential class will

1 decrease by approximately (6.4%), general service will decrease by  
2 approximately (6.6%), large general service will decrease by approximately  
3 (23.2%) and outdoor lighting will decrease by approximately (3.4%).  
4

5 Pages 6 through 11 of Schedule LSM-6 provide typical bill impacts for all classes  
6 for a range of usage levels.  
7

8 **V. CUSTOMER BILLING ADJUSTMENT AND SMART GRID EXPENSES**

9 **Q. Can you describe the impact to the proposed DSC if the customer billing**  
10 **adjustment made in August 2011 and the remaining collection of Smart Grid**  
11 **costs, both included on Schedule LSM-2, were removed?**

12 A. Schedule LSM-7 presents the Non-G1 DSC with these two items removed.  
13

14 Page 1 of 17 shows a redline Non-G1 Default Service rate calculation tariff page.

15 As shown, the proposed May 1, 2012 RPS charge of \$0.00316 per kWh is  
16 unchanged from that presented on Page 1 of Schedule LSM-1. The RPS  
17 calculation was not affected by these items. The Fixed Power Supply Charge of  
18 \$0.06531 per kWh, as well as the Variable Power Supply Charges, reflect  
19 removal of the customer billing adjustment of \$1,152,493.18 that was made to  
20 revenue in August 2011, the associated interest adjustment of \$172,675.60 also  
21 made in August 2011 as well as the impact to interest in September 2011 through  
22 January 2012 due to these adjustments being removed from the balances, and the

1 remaining Smart Grid expenses. With these items removed, the total Fixed Non-  
2 G1 DSC for May through October 2012 is \$0.06847 per kWh. This is a decrease  
3 of (\$0.01179) per kWh versus the Fixed Non-G1 DSC currently in effect.

4

5 Details of the calculation of the Non-G1 Power Supply Charge under this scenario  
6 are presented on Pages 2 through 6 of Schedule LSM-7. Pages 3 and 5 include  
7 footnotes stating removal of the customer billing adjustment interest and revenue,  
8 respectively. The removal of Smart Grid expenses not yet collected is shown as a  
9 line item on Page 2. The costs presented on Pages 4 and 6 are not affected by this  
10 modification.

11

12 Pages 7 through 17 show the bill impacts under the proposed G1 DSC and  
13 modified Non-G1 DSC. As shown on Page 11, which presents the overall  
14 average class bill impacts, the residential class would decrease by approximately  
15 (8.1%), general service would decrease by approximately (8.3%), large general  
16 service will decrease by approximately (23.2%) and outdoor lighting would  
17 decrease by approximately (4.3%) compared to current rates.

18

19 **VI. CONCLUSION**

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

21 **A.** Yes, it does.