

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 13-079

September 27, 2013

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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. 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 December 1, 2013, as reflected
3 in the redline tariffs provided as Schedule LSM-1, Pages 1 and 2.
4

5 **Q. Is UES proposing any other tariff changes for effect December 1, 2013?**

6 A. Yes. Schedule LSM-1, Page 3 of 3, provides the Summary of Low-Income
7 Electric Assistance Program Discounts, incorporating the proposed December 1
8 Non-G1 (Residential) DSC.
9

10 **III. RETAIL RATE CALCULATIONS**

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

12 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
13 G1 DSC is \$0.09771 per kWh and the proposed G2 and Outdoor Lighting ("OL")
14 Class fixed Non-G1 DSC is \$0.09231 per kWh for the period December 1, 2013
15 through May 31, 2014. The proposed Residential Class variable Non-G1 DSC
16 and the proposed G2 and OL Class variable Non-G1 DSC for this same period are
17 also shown on this page.
18

19 The proposed DSC are comprised of two components, as shown on Schedule
20 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
21 ("RPS") Charge.
22

1 **Q. Why has the Company calculated a separate DSC for the Residential Class**
2 **and the G2 and OL Class?**

3 A. As described in its tariff, Schedule DS, effective December 1, 2013, the wholesale
4 supplier charge component of the Non-G1 class Power Supply Charge will be
5 determined separately for Domestic (D) customers and for Regular General and
6 Outdoor Lighting (G2, OL) customers. This change was described and approved
7 as part of docket DE 12-003 by Commission Order No. 25,397, dated July 31,
8 2012.

9

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

11 A. For the period December 1, 2013 through May 31, 2014, the proposed Residential
12 Class fixed Non-G1 Power Supply Charge is \$0.09193 per kWh, the proposed
13 G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.08653 per kWh, and
14 the proposed fixed Non-G1 RPS Charge is \$0.00578 per kWh. These figures, as
15 well as the variable amounts for the same period, are shown on Schedule LSM-1,
16 Page 1.

17

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

19 A. The proposed Residential Class fixed Non-G1 DSC of \$0.09771 per kWh is an
20 increase of \$0.02641 per kWh from the current DSC of \$0.07130 per kWh. The
21 proposed G2 and OL Class fixed Non-G1 DSC of \$0.09231 per kWh is an
22 increase of \$0.02101 per kWh from the current DSC of \$0.07130 per kWh. These

1 increases reflect higher contract costs for the period December 1, 2013 through
2 May 31, 2014 compared to the contract costs for the current period June 1, 2013
3 through November 30, 2013.
4

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

6 A. The rate calculations for the Non-G1 class Power Supply Charges, fixed and
7 variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the
8 Non-G1 class RPS Charges, fixed and variable, are provided on Schedule LSM-3,
9 Page 1.
10

11 Variable pricing is calculated by dividing the costs for the month, including a
12 partial reconciliation of costs and revenues through February 28, 2013¹, by the
13 estimated monthly Non-G1 kWh purchases. An estimated loss factor of 6.4% is
14 then added to arrive at the proposed retail variable charges. Fixed pricing is
15 calculated in a similar manner, except that the calculation is based on total
16 charges and total purchases for the six month period.
17

¹ In its April 2013 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2013 to be \$159,486 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 December 1, 2013 to be \$270,563 which is shown on Schedule LSM-3, Page 1.

1 As discussed above, the wholesale supplier charge component of the Power
2 Supply Charge has been determined separately from the other costs included in
3 the rate for Residential classes and G2 and OL classes. This may be viewed on
4 Schedule LSM-2, page 1, lines 5, 11 and 17 (variable) and lines 6, 12 and 18
5 (fixed).

6

7 **Q. Have you provided support for the forecast costs shown on Page 1, lines 1**
8 **and 7 of Schedule LSM-2?**

9 A. The details of forecasted costs for the period December 2013 through May
10 2014 are provided on Schedule LSM-2, Page 2. Line items for the various
11 costs included in default service are shown and include: Non-G1 Class
12 (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier
13 Charges, GIS Support Payments, Supply Related Working Capital, Provision
14 for Uncollected Accounts, Internal Company Administrative Costs, Legal
15 Charges, and Consulting Outside Service Charges. In addition, costs include
16 an adjustment to recover default service related costs associated with the
17 customer billing adjustment in DE 11-105.

18

19 **Q. Have you provided support for the customer billing adjustment line item**
20 **on Schedule LSM-2, Page 2?**

21 A. Support for the monthly amount of \$41,314 included in December 2013
22 through May 2014 is provided on Schedule LSM-2, Page 3. In accordance

1 with the Settlement Agreement dated October 4, 2012 and approved on
2 January 25, 2013 by Order No. 25,458 in DE 11-105, UES was allowed to
3 recover \$1,152,493, plus interest beginning June 1, 2012, through Non-G1
4 Default Service. Recovery of this adjustment will continue through
5 November 2015. As shown on Schedule LSM-2, Page 3, based on the current
6 prime interest rate of 3.25%, recovery of \$41,314 each month will result in a
7 zero balance at the end of November 2015.

8

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

11 A. The details of forecasted costs for the period December 2013 through May
12 2014 are provided on Schedule LSM-3, Page 2. Costs include RECs and the
13 associated working capital.

14

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

16 A. Working capital included in the Power Supply Charge equals the sum of
17 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus
18 Non-G1 Class (G2 and OL) DS Supplier Charges, plus GIS Support
19 Payments, as shown on Schedule LSM-2, Page 2. It is calculated by taking
20 the product of Non-G1 Class (Residential) DS Supplier Charges plus Non-G1
21 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments and the

1 number of days lag divided by 365 days (i.e. the working capital requirement)
2 and multiplying it by the prime rate.

3

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

8

9 The calculation of working capital included in the Power Supply Charge and
10 the RPS Charge both rely on the results of the 2012 Default Service and
11 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
12 Charge working capital calculation uses 16.01 days and the Non-G1 class RPS
13 Charge working capital calculation uses (258.25) days.

14

15 **Q. Has UES included its annual update to internal company administrative**
16 **costs associated with providing default service?**

17 A. Yes. The updated internal company administrative costs associated with
18 providing default service proposed for effect December 1, 2013 are provided
19 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
20 identically to those submitted as part of the update last year.

21

1 The Settlement Agreement in DE 05-064 allows UES to update these costs
2 annually based on changes to labor costs and associated overheads. The labor
3 hours allocated to DS reflect test year values and are not adjusted. UES has
4 used an overhead rate of 98.0% based on the average for calendar year 2012.
5 The updated labor costs by department are detailed on Schedule LSM-6, Page
6 2 of 2.

7
8 As shown on Page 1 of 2, the revised internal administrative costs associated
9 with providing DS are \$66,218. \$26,275 of that amount is attributable to the
10 Non-G1 class and \$39,943 is attributable to the G1 class. The current internal
11 administrative costs associated with providing DS are \$65,470, with \$25,940
12 attributable to the Non-G1 class and \$39,530 attributable to the G1 class.

13
14 **Q. What is the proposed G1 Class DSC?**

15 A. The proposed G1 class DSC are comprised of two componets, as shown on
16 Schedule LSM-1, Page 2: A Power Supply Charge and a Renewable Portfolio
17 Standard (“RPS”) Charge. The wholesale supplier charge included in the Power
18 Supply Charge will be determined each month based on the sum of fixed monthly
19 adders and variable energy prices, and therefore, the total DSC for the G1 class is
20 not known at this time.

21

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

3 A. Schedule LSM-1, Page 2, shows the proposed G1 Power Supply Charges,
4 excluding the supplier charge component, of \$0.00327 per kWh in December
5 2013 through May 2014. The wholesale supply charge determined each month
6 will be added to this amount to yield the monthly G1 class Power Supply Charge.

7
8 Also shown on Schedule LSM-1, Page 2, is the proposed G1 RPS Charge of
9 \$0.00414 per kWh in December 2013 and \$0.00651 per kWh in January through
10 May 2014.

11
12 **Q. Have you prepared a comparison of the proposed G1 DSC to the current**
13 **rate?**

14 A. No. As the total G1 class DSC is not yet known, a comparison to current rates
15 was not performed.

16
17 **Q. Please describe the calculation of the G1 class DSC.**

18 A. The rate calculations for the Power Supply Charges, excluding wholesale supplier
19 charges, are provided on Schedule LSM-4, Page 1. The rate calculations for the
20 RPS Charges are provided on Schedule LSM-5, Page 1. Both charges are
21 calculated in the same manner.

1 Each charge is calculated by dividing the costs for each month, including a partial
2 reconciliation of costs and revenues through February 28, 2013², by the estimated
3 G1 kWh purchases for the corresponding month. An estimated loss factor of
4 4.591% is then added to arrive at the proposed retail charges.

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 December 2013 through May 2014 are provided on Schedule LSM-4,
10 Page 2. Line items for the various costs included in default service are shown
11 and include: Total G1 Class DS Supplier Charges, GIS Support Payments,
12 Supply Related Working Capital, Provision for Uncollected Accounts,
13 Internal Company Administrative Costs, Legal Charges, and Consulting
14 Outside Service Charges. At the end of each month, UES will determine the
15 supplier charge to be added to the monthly Power Supply Charge.

16

² In its April 2013 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2013 to be \$65,847 which is shown on Schedule LSM-4, Page 1. UES provided the portion of the G1 Class RPS Charge reconciliation balance for recovery effective December 1, 2013 to be \$27,594 which is shown on Schedule LSM-5, Page 1.

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

3 A. The details of forecasted costs included in the RPS Charge for the period
4 December 2013 through May 2014 are provided on Schedule LSM-5, Page 2.
5 Costs include Renewable Energy Credits (“RECs”) and the associated
6 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 Total G1 Class DS Supplier Charges plus GIS Support
11 Payments and is shown on Schedule LSM-4, Page 2. It is calculated by taking
12 the product of Total G1 Class DS Supplier Charges plus GIS Support
13 Payments and the number of days lag divided by 365 days (i.e. the working
14 capital requirement) and multiplying it by the prime rate. As the Total G1
15 Class DS Supplier Charges for the upcoming rate period are not yet known,
16 UES has estimated power supply costs for the purpose of estimating working
17 capital. The estimate of power supply costs is based on the forecasted G1
18 class kWh purchases and an estimated price per kWh. The estimated price per
19 kWh was determined by comparing a historical relationship between G1 and
20 Non-G1 class supplier pricing and then applying that relationship to the
21 current average Non-G1 supplier price per kWh. Actual working capital will
22 be determined using the actual supplier charges in each month.

1

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

6

7 The calculation of working capital included in the Power Supply Charge and
8 the RPS Charge both rely on the results of the 2012 Default Service and
9 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
10 Charge working capital calculation uses (1.34) days and the G1 class RPS
11 Charge working capital calculation uses (273.07) days.

12

13 **IV. BILL IMPACTS**

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

16 A. Typical bill impacts showing the impact of changes to the DSC have been
17 provided in Schedule LSM-7. Total bill impacts to G1 customers are unknown at
18 this time and have therefore been excluded from Schedule LSM-7.

19

20 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
21 for the residential and General Service rate classes. These pages also show the

1 impact on a typical bill for each class in order to identify the effect of each rate
2 component on a typical bill.

3

4 Page 3 shows bill impacts to the residential class based on the mean and median
5 use. Page 3 is provided in a format similar to Pages 1 and 2.

6

7 Page 4 provides the overall average class bill impacts as a result of changes to the
8 DSC. As shown, for customers on Default Service, the residential class will
9 increase by approximately 17.7%, general service will increase by approximately
10 14.7%, and outdoor lighting will increase by approximately 7.4%.

11

12 Pages 5 through 9 of Schedule LSM-7 provide typical bill impacts for all classes,
13 excluding G1, for a range of usage levels.

14

15 **V. CONCLUSION**

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

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