UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LISA S. GLOVER

New Hampshire Public Utilities Commission

Docket No.: DE 16-668

~~June 16, 2016~~July 12, 2016

TABLE OF CONTENTS

LIST OF SCHEDULES

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Lisa S. Glover. My business address is 6 Liberty Lane West, Hampton, NH.

Q. For whom do you work and in what capacity?

A. I am employed by Unitil Service Corp. (”USC”) as an Energy Analyst. USC provides management and administrative services to Unitil Energy Systems, Inc. (“UES”) and Unitil Power Corp. (“UPC”).

Q. Please describe your relevant educational and work experience.

A. I received my Bachelor of Science degree in Environmental Science from the University of Massachusetts Amherst and a Master of Public Administration from Norwich University in Vermont. Before joining Unitil, I worked as an Energy Analyst with the MA Division of Energy Resources. I joined Unitil Service Corp. in February 2003 as an Energy Efficiency Program Analyst with Business Services and then joined Energy Contracts in May 2014. I have primary responsibilities in the areas of electric market operation and data reporting, default service administration and budgeting. Additionally, I manage the procurement process for Renewable Energy Certificates as well as being responsible for Renewable Portfolio Standard compliance for Unitil.

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

A. Yes. Most recently I testified in UES's Default Service Solicitation proceeding, Docket No. DE 16-250. I have also testified before the Commission in the past in regards to energy efficiency plans.

II. SUMMARY OF TESTIMONY

Q. Please summarize your testimony in this proceeding.

A. My testimony presents the cost data and explains the reasons for the proposed changes to UES's Stranded Cost Charge ("SCC"), and External Delivery Charge ("EDC"), effective August 1, 2016. Ms. Linda S. McNamara presents the reconciliation for the SCC and EDC through July 2016 and the rate development for the SCC and EDC for the period beginning August 1, 2016 and ending July 31, 2017, based on the cost data included in my testimony.

III. STRANDED COST CHARGE COSTS

Q. What costs are included in the SCC?

A. The SCC includes the Contract Release Payments ("CRP") from Unitil Power Corp., charged in accordance with the Amended Unitil System Agreement, approved by both the Commission in Docket No. DE 01-247 and by the FERC.

Schedule LSG-1, page 1, provides a description of the CRP. Page 2 provides the CRP by month reflecting actual data from August 2014 through April 2016 and estimated data from May 2016 through July 2017. The costs associated with the recovery of a customer billing adjustment as approved in docket DE 11-105 ended in July 2015 and are presented as actuals through that period. This is further discussed in the testimony of Ms. McNamara.

Q. Please describe the Amended Unitil System Agreement.

A. The purpose of the Amended Unitil System Agreement was to restructure UES's power supply in order to implement retail choice. Prior to the implementation of the Amended Unitil System Agreement on May 1, 2003, UES purchased full-requirements power supply from UPC at fully reconciling, cost-of-service rates.

The Amended Unitil System Agreement provides for termination of power sales from UPC to UES and the payment of UPC's on-going costs by UES. These on-going costs are defined in the Amended Unitil System Agreement as either CRP or Administrative Service Charges ("ASC"). UES recovers the CRP through the SCC and the ASC through the EDC. The ASC will be discussed later under the EDC costs.

Q. Please describe the CRP.

A. The CRP is calculated in accordance with Appendix 1 of the Amended Unitil System Agreement. The CRP is equal to the sum of the Portfolio Sales Charge, the Residual Contract Obligations, the Hydro-Quebec Support Payments, and True-Ups from Prior Periods.

The Portfolio Sales Charge and the Residual Contract Obligations have ended. The CRP estimates in this filing, therefore, include only the Hydro-Quebec Support Payments.

The Hydro-Quebec Phase II Agreements require UPC to support the Hydro-Quebec Phase II facilities through October 2020. These facilities are part of one high-voltage, direct-current ("HVDC") interconnection between New England and Quebec. UPC has no obligation to support Phase I of these facilities. Currently, the costs for maintenance and construction of these facilities are paid by Interconnection Rights Holders ("IRH") through support agreements between the IRH members and the owners of the HVDC transmission facilities. The Hydro-Quebec Support Payments include all costs incurred by UPC pursuant to the Hydro-Quebec Phase II Agreements, offset by any revenues received by UPC for sales of UPC's Hydro-Quebec Phase II entitlement. The Hydro-Quebec Support Payments are not a known payment stream because they are based on the cost-of-service of the Hydro-Quebec Phase II transmission facilities. As discussed below, UPC receives revenue for short-term sales of transmission rights and capacity rights. These revenues operate to offset the expense of the Hydro-Quebec Support Payments.

The True-ups from Prior Periods reflect any differences in costs resulting from the reconciliation of estimated costs to actual costs under the CRP component of the Amended Unitil System Agreement. The True-ups from Prior Periods also provide for the reconciliation of costs billed to UPC for services purchased in

UPC's performance of the Unitil System Agreement, prior to May 1, 2003. The CRP estimates in the current filing reflect no True-ups from Prior Periods.

Q. Please provide an estimate of each of the components of the CRP.

A. Details regarding the CRP are provided in Schedule LSG-3. This shows the actual itemized CRP and ASC charges as billed by UPC to UES for the period beginning August 2014 through April 2016 under the Amended Unitil System Agreement. Beginning on page 2 of Schedule LSG-3, estimated CRP and ASC for the 15-month period beginning May 2016 and ending July 2017 are presented. UPC bills UES on estimated data, prior to the beginning of the month of service. These estimates are trued-up to actuals on a two-month lag.

Q. Please provide a comparison of the estimated CRP for the upcoming SCC rate period (August 2016 through July 2017) to the projected CRP for the current SCC rate period (August 2015 through July 2016).

A. Table 1 below provides a comparison of the estimated CRP for the upcoming SCC rate period (August 2016 through July 2017) to the projected actual CRP for the current SCC rate period (August 2015 through July 2016).

Table 1. Comparison of Estimated CRP for August 2016 through July 2017 to Projected CRP for August 2015 through July 2016
Unitil Power Corp.

Line No.	Line Item Description	Aug 2015 - July 2016 9 Months Act. and 3 Months Est.	Aug 2016 - July 2017 Estimate	Variance (Aug 2016 - July 2017 Costs minus Aug 2015 - July 2016 Costs)
1.	Portfolio Sales Charge	$0	$0	$0
2.	Residual Contract Obligations	$0	$0	$0
3.	Hydro-Quebec Support Payments	$138,974	($16,123)	($155,097)
4.	Subtotal (L. 2 through 4)	$138,974	($16,123)	($155,097)
5.	True-up for estimate	($125,409)	$0	$125,409
6.	Obligations prior to May 1, 2003	$0	$0	$0
7.	Total CRP as billed by Unitil Power Corp.	$13,565	($16,123)	($29,688)

At the time of the preparation of this estimate of the CRP, actual CRP expense data was available through April 2016. As such, the projected actual CRP for the current SCC rate period (August 2015 through July 2017) presented in Table 1 is comprised of nine months of actual data and three months of estimated data.

Q. Please report on the efforts by UPC to mitigate the stranded cost associated with the Hydro-Quebec Phase II Agreements.

A. UPC mitigates these costs through short-term sales of the transmission rights and capacity, which UPC is entitled to through its support of the Hydro-Quebec Phase II facilities. Currently, UPC resells its transmission rights on a short-term basis through a brokering agreement with Central Vermont Public Service Corporation (“CVPS”). Under this brokering agreement which was amended effective November 1, 2015, to increase the maximum duration of transmission sales from one month to one year, CVPS offers UPC’s transmission rights associated with the Hydro-Quebec Phase II facilities for sale on a short-term basis through the

CVPS' OASIS website. CVPS has authority under this amended agreement to enter into binding sales of UPC's Hydro-Quebec transmission rights for firm and non-firm transactions for a maximum term of one year. UPC also has rights to Hydro-Quebec Interconnection Capability Credit ("HQICC"), pursuant to the ISO Tariff. UPC is reimbursed by CVPS for its HQICC at a price equal to the ISO Net Regional Clearing Price.[1] Please refer to Schedule LSG-5 for itemized cost and revenue offsets, related to the Hydro-Quebec Phase II Support Agreements.

IV. EXTERNAL DELIVERY CHARGE COSTS

Q. What costs are included in the EDC?

A. Schedule LSG-2, page 1 provides a description of the costs included in the EDC:

1) Third Party Transmission Providers (Eversource Network Integration Transmission Service);
2) Regional Transmission and Operating Entities;
3) Third Party Transmission Providers (Eversource Wholesale Distribution);
4) Transmission-Based Assessments and Fees;
5) Load Estimation and Reporting System and EDI Communication Costs;
6) Data and Information Services;
7) Legal Charges;
8) Consulting Outside Service Charges;
9) Administrative Service Charges;
10) Non-Distribution Portion of the Annual PUC Assessment;
11) Working Capital Associated with Other Flow-Through Operating Expenses;
12) Regional Greenhouse Gas Initiative Rebates.

Items 1), 2), and 3) of the Schedule are discussed below:

[1] The Net Regional Clearing Price is calculated by first adding Forward Capacity Auction payments to Net Reconfiguration Auction Credits or Charges and subtracting Peak Energy Rent Adjustments. This total is then divided by the Net Regional Supply Obligation.

The Third Party Transmission Providers (Eversource Network Integration Transmission Service) component of the EDC consists of Network Integration Transmission Service taken by UES and provided by the Eversource Energy companies[2] ("Eversource") pursuant to Schedule 21-ES of the ISO New England Inc. Transmission, Markets and Services Tariff (FERC Electric Tariff No.3) ("ISO Tariff").

The Regional Transmission and Operating Entities component of the EDC consists of all charges from ISO New England Inc. ("ISO"). These charges consist primarily of Regional Network Service, taken pursuant to the ISO Tariff. Other major costs (which are also billed by the ISO to UES) are various ancillary services allocated to transmission customers, such as VAR support, dispatch service, and black-start capability.

The Third Party Transmission Providers (Eversource Wholesale Distribution) component consists of Distribution Delivery Service ("DDS") charges with Eversource. DDS compensates Eversource for the wheeling of power from the Eversource transmission system to UES's distribution system over certain facilities, which are classified as distribution facilities for accounting purposes and, therefore, are not included in the Eversource transmission system rate base.

[2] Northeast Utilities formerly changed its name and those of all its subsidiaries in January 2015 to Eversource Energy.

Q. Please provide the External Delivery cost data, which was utilized in the calculation of the EDC.

A. Schedule LSG-2 provides the External Delivery cost data used in the calculation of the EDC. Page 2 provides actual historic External Delivery cost data for the year beginning August 2014 through July 2015. These include costs associated with the recovery of a customer billing adjustment (column (n)) as approved in docket DE 11-105 and for which recovery of the reconciliation adjustment ended on July 31, 2015 for EDC and SCC recovery. Actual External Delivery cost data for the months of August 2014 through April 2015 was included in UES's last rate and reconciliation filing, Docket No. DE 15-244. In that docket, UES provided estimated External Delivery costs for May 2015 through July 2015. Rather than present partial data beginning with May 2015, UES is presenting the full period. Page 3 of Schedule 2 provides External Delivery cost data for the current EDC rate period, August 2015 through July 2016. Actual cost data is available through ~~April~~ May 2016, and estimated cost data is provided for ~~May~~ June 2016 ~~through~~ and July 2016. Finally, page 4 of Schedule LSG-2 provides estimated External Delivery costs for the upcoming EDC rate period, August 2016 through July 2017.

Q. Please provide a comparison of the External Delivery costs for the upcoming EDC rate period (August 2016 through July 2017) to the projected External Delivery costs for the current EDC rate period (August 2015 through July 2016).

A. Please refer to Table 2 below for an itemized comparison of estimated External Delivery cost for the upcoming EDC rate period to the projected External Delivery costs for the current rate period.

Table 2 REVISED. Comparison of Estimated External Delivery costs for August 2016 through July 2017 to projected External Delivery costs for August 2015 through July 2016
Unitil Energy Systems, Inc.

Line No.	Line Item Description	Aug 2015 - July 2016 ~~9~~ 10 Months Act. and ~~3~~ 2 Months Est.	Aug 2016 - July 2017 Estimate	Variance (Aug 2016 - July 2017 Costs minus Aug 2015 - July 2016 Costs)
1.	Third Party Transmission Providers (Eversource Network Integration Transmission Service)	$~~1,443,374~~1,603,191	$~~764,747~~1,741,486	~~($678,627)~~$138,296
2.	Regional Transmission and Operating Entities	$22,~~696~~755,~~305~~280	$22,747,254	~~$50,948~~($8,026)
3.	Third Party Transmission Providers (Eversource Wholesale Distribution)	$2,~~867~~870,~~635~~458	$2,861,076	($~~6,559~~9,382)
4.	Transmission-based Assessments and Fees	$10,500	$10,500	$0
5.	Load Estimation and Reporting System and EDI Communication Costs	$21~~8,623~~3,442	$214,132	~~($4,491)~~$690
6.	Data and Information Services	$15,000	$15,000	$0
7.	Legal Charges	$1,980	$0	($1,980)
8.	Consulting Outside Service Charges	$~~10,494~~8,819	$24,000	$1~~13,506~~5,181
9.	Administrative Service Charges	$~~6,122~~5,899	$6,813	$~~692~~ 914
10.	Non-Distribution Portion of the Annual PUC Assessment	$349,301	$346,797	($2,504)
11.	Working Capital Associated with Other Flow-Through Operating Expenses	$411,~~926~~113	$411,926	$~~0~~813
12.	Regional Greenhouse Gas Initiative Rebates	($2,300,830)	($2,214,202)	$86,629

13.	EDC Cost Adjustment	$0	$0	$0
14.	Total External Delivery Costs	$25,~~730~~944,~~430~~152	$2~~5,188,043~~ 6,164,782	~~($542,387)~~$220,630

Q. Please explain the projected ~~decrease~~ increase in External Delivery costs for the upcoming EDC rate period (August 2016 through July 2017) over the current EDC rate period (August 2015 through July 2016).

A. The External Delivery costs for the upcoming EDC rate period are projected to be $~~542,387 lower~~220,630 higher than those in the current rate period. The largest driver of the ~~reduction is a decline~~ increase is ~~in~~ the projected Third Party Transmission Providers (~~NU~~ Eversource Network Integration Transmission Service) costs which rose as a result of Eversource Energy Service Company's estimated transmission revenue requirements changing from the prior period.~~of nearly $679,000.~~

Q. What legal costs does UES expect to incur under the EDC?

A. UES estimates that it will not incur any legal costs for the upcoming EDC rate period (August 2016 through July 2017). Any legal costs associated with procurement of Default Service are recovered through the Default Service Charge.[3]

[3] This is in accordance with the settlement agreement approved in Docket No. DE 05-064.

Q. Please provide the detail behind the estimate for the Administrative Service Charges.

A. Details regarding the ASC are provided in Schedule LSG-3 on lines 10 through 18. The ASC includes any costs incurred by UPC, relative to UPC's obligations under the Amended Unitil System Agreement, which are not otherwise assigned or assumed by UES. These costs include NEPOOL, ISO, and RTO costs, as well as legal, consulting, and other outside services. It does not include any internal costs of USC, UES or UPC.

Q. Has UES included Regional Greenhouse Gas Initiative (RGGI) rebates in the proposed EDC?

A. Yes. UES has included the rebate of excess RGGI auction proceeds applicable to all retail electric customers as a separate line item in the EDC. UES records the rebates in the EDC in the month that the rebate amount is received, and applies carrying charges. For the actual period of August 2014 through April 2016, UES has recorded seven rebate amounts totaling ($3,210,062). In accordance with Order No. 25,664, UES has included estimates of auction amounts it expects to receive through July 2017 in order to ensure customers receive the credit, or estimate thereof, in a timely manner. These estimates are shown on Schedule LSG-2, Pages 3 and 4.

Q. Has UES included in this filing the recovery of costs associated with lost distribution revenue due to net metering generation as it did in its previous EDC filing?

A. No, it has not.

Q. Could you please explain why this is the case and discuss how UES plans to recover these costs?

A. UES filed its proposal to recover displaced distribution revenue due to net metering with the Commission on May 14, 2015. The Commission docketed this matter as DE 15-147. Following technical sessions and discovery, UES, the Commission Staff and the Office of Consumer Advocate filed a settlement agreement on April 8, 2016 that provides a methodology for estimating the displaced revenue associated with net metering, and allows the Company to recover the displaced revenue through the EDC, including amounts for 2013, 2014 and 2015. Upon approval of the settlement agreement and an Order from the Commission, UES will record the cost of displaced distribution revenue due to net metering generation in the EDC and file a new EDC tariff.

V. UPC COSTS AND REVENUES

Q. Has UPC prepared an accounting of the costs and revenues to UPC under the CRP and the ASC?

A. Yes. Schedule LSG-4 provides this accounting for the period beginning August 2014 through April 2016. UPC bills UES estimates of the CRP and ASC on the

25th of the month for the upcoming month. The estimated expenses are trued-up to actual expenses on a two-month lag basis. In order to calculate the true-up, UPC tracks the actual expenses, which comprise both the CRP and the ASC. These actual expenses are compared to the estimated expenses to calculate the true-up for prior period. Schedule LSG-4 provides summary data of actual CRP and ASC expenses and revenues.

VI. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.