

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF  
LISA S. GLOVER

New Hampshire Public Utilities Commission

Docket No.: DE 17-

June 16, 2017

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## LIST OF SCHEDULES

**Schedule LSG-1: Stranded Cost Charge Costs**

**Schedule LSG-2: External Delivery Charge Costs**

**Schedule LSG-3: Contract Release Payments and Administrative Service Charges**

**Schedule LSG-4: Unifil Power Corp. Cost and Revenue Model**

**Schedule LSG-5: HQ Payments and Revenues**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

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

5

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

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

10

11 **Q. Please describe your relevant educational and work experience.**

12 A. I received my Bachelor of Science degree in Environmental Science from the  
13 University of Massachusetts Amherst and a Master of Public Administration from  
14 Norwich University in Vermont. I joined Unitil Service Corp. in February 2003  
15 as an Energy Efficiency Program Analyst with Customer Energy Solutions and in  
16 May 2014, I joined Energy Contracts as an Energy Analyst. I have primary  
17 responsibilities in the areas of long-term renewable energy procurement; default  
18 service budgeting, administration, and procurement; electric market operation and  
19 data reporting; and Renewable Portfolio Standard compliance.

20

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

23 A. Yes.

1 **II. SUMMARY OF TESTIMONY**

2 **Q. Please summarize your testimony in this proceeding.**

3 A. My testimony presents the cost data and explains the reasons for the proposed  
4 changes to UES's Stranded Cost Charge ("SCC"), and External Delivery Charge  
5 ("EDC"), effective August 1, 2017. Ms. Linda S. McNamara presents the  
6 reconciliation for the SCC and EDC through July 2017 and the rate development  
7 for the SCC and EDC for the period beginning August 1, 2017 and ending July  
8 31, 2018, based on the cost data included in my testimony. Mr. Douglas Debski  
9 has provided testimony to explain the calculation of displaced distribution  
10 revenue associated with net metering for years 2013 through 2016, which are  
11 included in the proposed EDC.

12

13 **III. STRANDED COST CHARGE COSTS**

14 **Q. What costs are included in the SCC?**

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

18

19 Schedule LSG-1, page 1, provides a description of the CRP. Page 2 provides the  
20 CRP by month reflecting actual data from August 2015 through April 2017 and  
21 estimated data from May 2017 through July 2018.

22

23 **Q. Please describe the Amended Unitil System Agreement.**

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

5

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

12

13 **Q. Please describe the CRP.**

14 A. The CRP is calculated in accordance with Appendix 1 of the Amended Unitil  
15 System Agreement. The CRP is equal to the sum of the Portfolio Sales Charge,  
16 the Residual Contract Obligations, the Hydro-Quebec Support Payments, and  
17 True-Ups from Prior Periods. The Portfolio Sales Charge and the Residual  
18 Contract Obligations have ended. The CRP estimates in this filing, therefore,  
19 include only the Hydro-Quebec Support Payments.

20

21 The Hydro-Quebec Phase II Agreements require UPC to support the Hydro-Quebec  
22 Phase II facilities through October 2020. These facilities are part of one high-voltage,  
23 direct-current ("HVDC") interconnection between New England and Quebec. UPC

1 has no obligation to support Phase I of these facilities. Currently, the costs for  
2 maintenance and construction of these facilities are paid by Interconnection Rights  
3 Holders (“IRH”) through support agreements between the IRH members and the  
4 owners of the HVDC transmission facilities. The Hydro-Quebec Support Payments  
5 include all costs incurred by UPC pursuant to the Hydro-Quebec Phase II  
6 Agreements, offset by any revenues received by UPC for sales of UPC’s Hydro-  
7 Quebec Phase II entitlement. The Hydro-Quebec Support Payments are not a known  
8 payment stream because they are based on the cost-of-service of the Hydro-Quebec  
9 Phase II transmission facilities. As discussed below, UPC receives revenue for short-  
10 term sales of transmission rights and capacity rights. These revenues operate to offset  
11 the expense of the Hydro-Quebec Support Payments.

12  
13 The True-ups from Prior Periods reflect any differences in costs resulting from the  
14 reconciliation of estimated costs to actual costs under the CRP component of the  
15 Amended Unitil System Agreement. The True-ups from Prior Periods also  
16 provide for the reconciliation of costs billed to UPC for services purchased in  
17 UPC’s performance of the Unitil System Agreement, prior to May 1, 2003. The  
18 CRP estimates in the current filing reflect no True-ups from Prior Periods.

19

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

21 A. Details regarding the CRP are provided in Schedule LSG-3. This shows the  
22 actual itemized CRP and ASC charges as billed by UPC to UES for the period  
23 beginning August 2015 through April 2017 under the Amended Unitil System

1 Agreement. Beginning on page 2 of Schedule LSG-3, estimated CRP and ASC  
2 for the 15-month period beginning May 2017 and ending July 2018 are presented.  
3 UPC bills UES on estimated data, prior to the beginning of the month of service.  
4 These estimates are trued-up to actuals on a two-month lag.

5

6 **Q. Please provide a comparison of the estimated CRP for the upcoming SCC**  
7 **rate period (August 2017 through July 2018) to the projected CRP for the**  
8 **current SCC rate period (August 2016 through July 2017).**

9 A. Table 1 below provides a comparison of the estimated CRP for the upcoming  
10 SCC rate period (August 2017 through July 2018) to the projected actual CRP for  
11 the current SCC rate period (August 2016 through July 2017).

12

Table 1. Comparison of Estimated CRP for August 2017 through July 2018 to Projected CRP for August 2016 through July 2017 Unitil Power Corp.				
Line No.	Line Item Description	Aug 2016 - July 2017 9 Months Act. and 3 Months Est.	Aug 2017 - July 2018 Estimate	Variance (Aug 2017 - July 2018 Costs minus Aug 2016 - July 2017 Costs)
1.	Portfolio Sales Charge	\$0	\$0	\$0
2.	Residual Contract Obligations	\$0	\$0	\$0
3.	Hydro-Quebec Support Payments	(\$79,369)	(\$269,114)	(\$189,745)
4.	Subtotal (L. 2 through 4)	(\$79,369)	(\$269,114)	(\$189,745)
5.	True-up for estimate	(\$240,719)	\$0	\$240,719
6.	Obligations prior to May 1, 2003	\$0	\$0	\$0
7.	Total CRP as billed by Unitil Power Corp.	(\$320,088)	(\$269,114)	\$50,974

13 At the time of the preparation of this estimate of the CRP, actual CRP expense  
14 data was available through April 2017. As such, the projected actual CRP for the

1 current SCC rate period (August 2016 through July 2017) presented in Table 1 is  
2 comprised of nine months of actual data and three months of estimated data.  
3

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

6 A. UPC mitigates these costs through short-term sales of the transmission rights and  
7 capacity, which UPC is entitled to through its support of the Hydro-Quebec Phase  
8 II facilities. Currently, UPC resells its transmission rights on a short-term basis  
9 through a brokering agreement with Central Vermont Public Service Corporation  
10 (“CVPS”). Under this brokering agreement which was amended effective  
11 November 1, 2015, to increase the maximum duration of transmission sales from  
12 one month to one year, CVPS offers UPC’s transmission rights associated with  
13 the Hydro-Quebec Phase II facilities for sale on a short-term basis through the  
14 CVPS’ OASIS website. CVPS has authority under this amended agreement to  
15 enter into binding sales of UPC’s Hydro-Quebec transmission rights for firm and  
16 non-firm transactions for a maximum term of one year. UPC also has rights to  
17 Hydro-Quebec Interconnection Capability Credit (“HQICC”), pursuant to the ISO  
18 Tariff. UPC is reimbursed by CVPS for its HQICC at a price equal to the ISO  
19 Net Regional Clearing Price.<sup>1</sup> Please refer to Schedule LSG-5 for itemized cost  
20 and revenue offsets, related to the Hydro-Quebec Phase II Support Agreements.

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<sup>1</sup> 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.

1

2 **IV. EXTERNAL DELIVERY CHARGE COSTS**

3 **Q. What costs are included in the EDC?**

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

5 1) Third Party Transmission Providers (Eversource Network Integration  
6 Transmission Service);

7 2) Regional Transmission and Operating Entities;

8 3) Third Party Transmission Providers (Eversource Wholesale Distribution);

9 4) Transmission-Based Assessments and Fees;

10 5) Load Estimation and Reporting System and EDI Communication Costs;

11 6) Data and Information Services;

12 7) Legal Charges;

13 8) Consulting Outside Service Charges;

14 9) Administrative Service Charges;

15 10) Non-Distribution Portion of the Annual PUC Assessment;

16 11) Working Capital Associated with Other Flow-Through Operating Expenses;

17 12) Regional Greenhouse Gas Initiative Rebates;

18 13) Rate Case Expenses

19 14) Other Regulatory Expenses

20 15) Displaced Distribution Revenue

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

22 The Third Party Transmission Providers (Eversource Network Integration

23 Transmission Service) component of the EDC consists of Network Integration

24 Transmission Service taken by UES and provided by the Eversource Energy

25 companies<sup>2</sup> (“Eversource”) pursuant to Schedule 21-ES of the ISO New England

26 Inc. Transmission, Markets and Services Tariff (FERC Electric Tariff No.3)

27 (“ISO Tariff”).

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<sup>2</sup> Northeast Utilities formerly changed its name and those of all its subsidiaries in January 2015 to Eversource Energy.

1

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

8

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

15

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

18 A. Schedule LSG-2 provides the External Delivery cost data used in the calculation  
19 of the EDC. Page 2 provides actual historic External Delivery cost data for the  
20 year beginning August 2015 through July 2016. Actual External Delivery cost  
21 data for the months of August 2015 through April 2016 was included in UES’s  
22 last rate and reconciliation filing, Docket No. DE 16-668. In that docket, UES  
23 provided estimated External Delivery costs for May 2016 through July 2016.

1           Rather than present partial data beginning with May 2016, UES is presenting the  
2           full period. Page 3 of Schedule 2 provides External Delivery cost data for the  
3           current EDC rate period, August 2016 through July 2017. Actual cost data is  
4           available through April 2017, and estimated cost data is provided for May 2017  
5           through July 2017. Finally, page 4 of Schedule LSG-2 provides estimated  
6           External Delivery costs for the upcoming EDC rate period, August 2017 through  
7           July 2018.

8

9   **Q.   Please provide a comparison of the External Delivery costs for the upcoming**  
10 **EDC rate period (August 2017 through July 2018) to the projected External**  
11 **Delivery costs for the current EDC rate period (August 2016 through July**  
12 **2017).**

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

Table 2. Comparison of Estimated External Delivery costs for August 2017 through July 2018 to projected External Delivery costs for August 2016 through July 2017 Unitil Energy Systems, Inc.				
Line No.	Line Item Description	Aug 2016 - July 2017 9 Months Act. and 3 Months Est.	Aug 2017 - July 2018 Estimate	Variance (Aug 2017 - July 2018 Costs minus Aug 2016 - July 2017 Costs)
1.	Third Party Transmission Providers (Eversource Network Integration Transmission Service)	\$2,850,099	\$1,354,618	(\$1,495,481)
2.	Regional Transmission and Operating Entities	\$23,251,529	\$24,546,520	\$1,294,991
3.	Third Party Transmission Providers (Eversource Wholesale Distribution)	\$2,955,920	\$2,866,431	(\$89,489)

4.	Transmission-based Assessments and Fees	\$11,000	\$11,000	\$0
5.	Load Estimation and Reporting System and EDI Communication Costs	\$199,711	\$199,739	\$28
6.	Data and Information Services	\$15,000	\$15,000	\$0
7.	Legal Charges	\$4,702	\$4,700	(\$2)
8.	Consulting Outside Service Charges	\$28,871	\$24,000	(\$4,871)
9.	Administrative Service Charges	\$6,978	\$8,232	\$1,254
10.	Non-Distribution Portion of the Annual PUC Assessment	\$340,329	\$0	(\$340,329)
11.	Working Capital Associated with Other Flow-Through Operating Expenses	\$408,282	\$412,400	\$4,118
12.	Regional Greenhouse Gas Initiative Rebates	(\$993,941)	(\$1,079,285)	(\$85,343)
13.	Rate Case Expenses	\$0	\$323,537	\$323,537
14.	Other Regulatory Expenses	\$0	\$141,549	\$141,549
15.	Displaced Distribution Revenue	\$0	\$234,959	\$234,959
14.	Total External Delivery Costs	\$29,078,480	\$29,063,401	(\$15,079)

1

2 **Q. Please explain the projected decrease in External Delivery costs for the**  
3 **upcoming EDC rate period (August 2017 through July 2018) over the**  
4 **current EDC rate period (August 2016 through July 2017).**

5 A. The External Delivery costs for the upcoming EDC rate period are projected to be  
6 \$15,079 lower than those in the current rate period. The largest contributors to  
7 the decrease include: the projected Third Party Transmission Providers  
8 (Eversource Network Integration Transmission Service) costs which include  
9 anticipated lower revenue requirements compared to the current rate period; Third  
10 Party Transmission Providers (Eversource Wholesale Distribution) costs which  
11 are calculated based on historical retail sales; the Non-Distribution Portion of the

1 Annual PUC Assessment which is estimated not to have balance due in the next  
2 rate period based on the anticipated bill amount; and a forecasted decrease in  
3 RGGI auction proceeds revenue due to declining auction prices.

4

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

6 A. UES estimates that it will incur \$4,700 legal costs for the upcoming EDC rate  
7 period (August 2017 through July 2018). These costs cover half of the annual  
8 NAESB membership and transcripts. Any legal costs associated with  
9 procurement of Default Service are recovered through the Default Service  
10 Charge.<sup>3</sup>

11

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

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

20

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<sup>3</sup> This is in accordance with the settlement agreement approved in Docket No. DE 05-064.

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

3 A. Yes. UES has included the rebate of excess RGGI auction proceeds applicable to  
4 all retail electric customers as a separate line item in the EDC. UES records the  
5 rebates in the EDC in the month that the rebate amount is received, and applies  
6 carrying charges. For the actual period of August 2015 through April 2017, UES  
7 has recorded seven rebate amounts totaling (\$2,826,565). In accordance with  
8 Order No. 25,664, UES has included estimates of auction amounts it expects to  
9 receive through July 2018 in order to ensure customers receive the credit, or  
10 estimate thereof, in a timely manner. These estimates are shown on Schedule  
11 LSG-2, Pages 3 and 4.

12

13 **Q. Has UES included in this filing the recovery of costs associated with lost**  
14 **distribution revenue due to net metering?**

15 A. Yes. In accordance with Order No. 25,991 in DE 15-147, UES is allowed to  
16 recover displaced distribution revenue through its EDC. Please see the Testimony  
17 and Schedules prepared by Mr. Douglas Debski which present the calculation for  
18 displaced distribution revenue associated with net metering for years 2013  
19 through 2016. These amounts, totaling \$234,959, have been included in the  
20 proposed EDC and are shown on Schedule LSG-2, Page 4.

21

22 **Q. Please describe the additional EDC expenses included in Schedule LSG-2 for**  
23 **the upcoming rate period.**

1 A. On Page 4 of 4 of Schedule LSG-2, the inclusion of two EDC expenses, Rate  
2 Case Expenses and Other Regulatory Expenses, have been added as allowable  
3 costs recoverable through the EDC.

4

5 **V. UPC COSTS AND REVENUES**

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

8 A. Yes. Schedule LSG-4 provides this accounting for the period beginning August  
9 2015 through April 2017. UPC bills UES estimates of the CRP and ASC on the  
10 25<sup>th</sup> of the month for the upcoming month. The estimated expenses are true-up  
11 to actual expenses on a two-month lag basis. In order to calculate the true-up,  
12 UPC tracks the actual expenses, which comprise both the CRP and the ASC.  
13 These actual expenses are compared to the estimated expenses to calculate the  
14 true-up for prior period. Schedule LSG-4 provides summary data of actual CRP  
15 and ASC expenses and revenues.

16

17 **VI. CONCLUSION**

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

19 A. Yes, it does.

