

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

Docket No. DE 17-\_\_\_

Unitil Energy Systems, Inc.  
Northern Utilities, Inc.

Public Service Company of New Hampshire d/b/a Eversource Energy  
Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities  
New Hampshire Electric Cooperative

**JOINT PREPARED TESTIMONY OF**

**KAREN M. ASBURY, CHRISTOPHER J. GOULDING,**

**HEATHER M. TEBBETTS, AND CAROL M. WOODS**

**2018 SYSTEM BENEFITS CHARGE RATE CHANGE**

September 1, 2017

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, by whom you are employed and in what capacity.**

3 A. Karen M. Asbury: I am the Director of Regulatory Services for Unitil Service Corp., an  
4 affiliate of Northern Utilities, Inc (“Northern”) and Unitil Energy Systems, Inc. (“UES”),  
5 which are all subsidiaries of Unitil Corporation. My primary responsibilities are directing  
6 rate and regulatory filings.

7 Christopher J. Goulding: I am the Manager of New Hampshire Revenue Requirements for  
8 Eversource Energy Service Company. My primary responsibilities are the coordination  
9 and implementation of revenue requirements calculations for Eversource in New  
10 Hampshire.

11 Heather M. Tebbetts: I am a Senior Analyst for Liberty Utilities Service Corp. and in this  
12 capacity, am responsible for providing rate-related services for the Liberty Utilities  
13 operating companies.

14 Carol M. Woods: I am an Energy Solutions Executive for New Hampshire Electric  
15 Cooperative. My responsibilities include management of planning and regulatory support  
16 for the company’s energy efficiency programs.

17 **Q. Have you previously testified before the Commission?**

18 A. Yes, we have.

1 **II. Lost Revenue**

2 **Q. What is the purpose of your testimony?**

3 A. The purpose of our testimony is: (1) to present and support the lost base revenue (“LBR”)  
4 component of the System Benefits Charge (“SBC”) proposed for effect January 1, 2018;  
5 and (2) to present and support the calculation of the Energy Efficiency (“EE”) component  
6 of the SBC for effect January 1, 2018. Our testimony explains what is contained within  
7 each sheet of Attachments E3, F3, G3 and H3, which provide the calculations of the LBR  
8 and EE rate components for each electric distribution utility. In addition, the testimony  
9 will also present the Lost Revenue Rate (“LRR”) and Energy Efficiency Charge (“EEC”)  
10 for Northern. These rate calculations are presented in Attachments J3 (EEC) and J4  
11 (LRR) and are being provided for informational purposes. The proposed LRR and EEC  
12 will be filed in Northern’s upcoming Annual Cost of Gas filing that will be submitted to  
13 the Commission on or before September 15, 2017.

14 **Q. Please describe the components of the SBC and their application to this rate request.**

15 A. There are currently three components of the SBC – the Electric Assistance Program  
16 (“EAP”) portion, which is set by statute at \$0.0015/kWh, the EE funding portion of the  
17 SBC, which is currently set at \$0.00198/kWh, and the LBR portion of the SBC. The EAP  
18 revenues are directed solely to the EAP program, which provides income-eligible  
19 customers with a discount on their monthly electric bills. The EE portion of the SBC is  
20 the main source of funding for the NHSaves energy efficiency programs, which are  
21 available to all New Hampshire residents and businesses. In addition to these portions of  
22 the SBC, the regulated New Hampshire utilities have an additional component to the SBC

1           – an LBR rate component as approved by the Commission in its Order No. 25,932 in  
2           Docket No. DE 15-137.

3   **Q.    Please describe the LBR portion of the SBC.**

4    A.    The LBR rate component tracks the kilowatt-hour (kWh) sales reduction due directly to  
5           the implementation of energy efficiency measures installed as a result of the NHSaves  
6           programs. This reduction in sales, when multiplied by current rates, translates into  
7           revenues that the utility would have otherwise received, absent the NHSaves programs.

8   **Q.    Please explain how the LBR rate is calculated and reconciled.**

9    A.    Each regulated electric utility forecasts the cumulative amount of kWh sales reduction  
10           expected for the upcoming year's NHSaves program and the year's beginning in 2017,  
11           and multiplies those savings by the utility's average distribution rates, excluding  
12           customer, meter, and luminaire charges. This forecasted lost base revenue amount is then  
13           divided by the total forecasted annual delivery sales, resulting in an LBR rate component  
14           of the SBC. Consistent with the Section II.B.2 of the Settlement agreement filed in DE  
15           14-216 on December 12, 2016, the final 2017 LBR calculations will be submitted in June  
16           2018 relating to LBR collection and reconciliation for 2017 will be incorporated in the  
17           subsequent year's lost base revenue rate calculation. Similarly, for 2018 LBR, the final  
18           reconciliation would be submitted in June 2019 and incorporated in the subsequent year's  
19           lost base revenue rate calculation.

1 **Q. Have the utilities provided the lost revenue calculations for the three-year period**  
2 **2018-2020?**

3 A. The utilities are providing only the calculation of the lost revenues for 2018 at this time  
4 because there are many variables that go into calculating the lost revenues and associated  
5 rates.

6 **Q. Please explain the variables that go into these calculations.**

7 Currently, two of the utilities, Northern and EnergyNorth Natural Gas (ENNH), are going  
8 through rate cases, and ENNH has requested decoupling. If the request for decoupling is  
9 approved, the need for calculating the lost revenue mechanism will go away for 2019.

10 The calculation of the lost revenue rate is based on rates in effect for 2017, at various  
11 dates based on the utilities' last distribution rate changes. Providing a lost revenue figure  
12 for 2019-2020 will only provide a snapshot of lost revenues using today's distribution  
13 rates, when in fact, there will be rate changes effective in 2018 for at least Northern and  
14 ENNH as their rate cases conclude. Electric distribution rates will change as well for  
15 Granite State Electric to incorporate their rate case step increase and Reliability  
16 Enhancement Plan/Vegetation Management Program and for UES to incorporate step  
17 adjustments.

18 In this filing, the utilities are reconciling 2017 lost revenues as well as calculating 2018  
19 lost revenues. In those calculations are actual sales for each utility, estimates for the  
20 remainder of 2017, and twelve months of estimated sales for 2018. If the utilities were to  
21 provide estimates for 2019-2020, we would be calculating lost revenues based on more

1 than 40 months (5-6 months in 2017, 36 months for 2018-2020) of forecasted sales, yet  
2 each year the utilities compute new sales forecasts, which are used in the forecast of rates  
3 for the upcoming year. The Local Distribution Adjustment Clause rates for Northern and  
4 ENNH are approved separately in the annual Cost of Gas filings only for the upcoming  
5 period, rather than approved for a multi-year period. Although the SBC rate is approved  
6 separately from the LDAC rates, the SBC should be filed in the same manner.

7 **Q. Please provide a detailed explanation of Exhibit E3, F3, G3 and H3, and explain**  
8 **what is contained on each page.**

9 A. Please see the explanation of each page below:

- 10 • Page 1 provides a summary of the proposed total EE budget, a breakdown of the  
11 funding, 2018 sales forecast, and the requested rates within the SBC associated  
12 with the 0.80% statewide electric savings target.
- 13 • Page 2 provides actual and forecasted monthly revenues and expenses for the  
14 2017 program year.
- 15 • Page 3 provides forecasted monthly revenues and expenses for the 2018 program  
16 year.
- 17 • Page 4 provides a summary of the estimated lost revenues expected to be incurred  
18 in 2018 due to the implementation of EE measures in 2018 as well as the  
19 measures installed in 2017 but not yet expired. The total lost revenue is divided  
20 by the same sales forecast located on Page 1, resulting in a LBR rate component to  
21 be contained within the SBC.

- 1           • Page 5 provides the supporting savings calculation for the 2018 lost revenues,  
2           where the projected accumulated monthly lost sales are multiplied by an average  
3           sector distribution rate, excluding customer charges and luminaire charges, to  
4           reach a dollar amount. This dollar amount appears on Page 4 where it is converted  
5           into the LBR rate component.
- 6           • Page 6 provides a reconciliation of the actual and forecasted monthly revenues  
7           collected from the LBR SBC rate and the estimated monthly lost revenues per  
8           page 5 of attachments O, P, Q, and R provided in DE 14-216.<sup>1</sup>
- 9           • Page 7 provides a reconciliation of monthly revenues collected from the LBR  
10          SBC rate and the anticipated monthly lost revenues for 2018.
- 11          • Page 8 provides a computation of the average sector distribution rates, excluding  
12          customer charges and luminaire charges. The forecasted revenue by sector,  
13          excluding customer charges and luminaire charges, divided by the forecasted sales  
14          by sector, produce the average rate to be applied to lost sales.
- 15          • Page 9 provides an estimated bill impact for a typical residential and C&I  
16          customer.
- 17          • Additional details supporting the calculation of the average distribution rates starts  
18          on Page 10.

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<sup>1</sup> The utilities are booking lost revenue based on original estimated savings. The final reconciliation of lost revenue using actual savings will be provided in the June 2018 filing.

1 **Q. Are the electric utilities proposing a specific LBR SBC rate at this time?**

2 A. Yes, they are. The 2018 statewide savings target of 0.80% of 2014 statewide delivery  
3 sales (10,782,973 MWh), translates to 86,264,079 kWh in statewide savings.

4 Eversource's portion of the statewide savings is 66,225,236 kWh. Based on forecasted  
5 delivery sales of 7,859,142,011 kWh in 2018, Eversource's LBR rate is \$0.00030/kWh.

6 Liberty's portion of the statewide savings is 7,491,769 kWh. Based on forecasted  
7 delivery sales of 904,025,998 kWh in 2018, Liberty's LBR rate is \$0.00032/kWh. Unitil's  
8 portion of the statewide savings is 6,701,632 kWh. Based on forecasted delivery sales of  
9 1,191,037,048kWh in 2018, Unitil's LBR rate is \$0.00031/kWh. Lost revenues do not  
10 apply to NHEC; therefore, an LBR SBC rate is not utilized by NHEC.

11 **Q. Are the utilities proposing a specific EE SBC rate at this time?**

12 A. Yes, they are. With a statewide savings target of 0.80% in 2018, translating to  
13 86,264,079 kWh in expected savings, and an overall average cost to achieve the kWh  
14 savings of \$0.467, total required funding is \$38.635 million. Of this amount, an  
15 estimated \$9.187 million will be funded through proceeds from the Forward Capacity  
16 Market, RGGI, and unspent funds from previous program years. The remaining balance  
17 of \$29.448 million will be recovered through the EE portion of the SBC. Based on 2018  
18 forecasted delivery sales of 10,708,322 MWh, the required statewide EE SBC rate is  
19 \$0.00275/kWh.

1 **Q. What is the total proposed SBC rate?**

2 A. Currently, the total SBC rate is between \$0.00348/kWh and \$0.00357/kWh for the  
3 various utilities. The differences are attributable to the differences in LBR rates included  
4 in rates for 2017. The total proposed SBC rate for Eversource is \$0.00455/kWh, which is  
5 a combination of the EAP (\$0.0015/kWh), EE (\$0.00275/kWh), and LBR  
6 (\$0.00030/kWh) components. The total proposed SBC rate for Liberty is \$0.00457/kWh,  
7 which is a combination of the EAP (\$0.0015/kWh), EE (\$0.00275/kWh), and LBR  
8 (\$0.00032/kWh) components. The total proposed SBC rate for Unitil is \$0.00456/kWh,  
9 which is a combination of the EAP (\$0.0015/kWh), EE (\$0.00275/kWh), and LBR  
10 (\$0.00031/kWh) components. The total proposed SBC rate for NHEC is \$0.00425/kWh,  
11 which is a combination of the EAP (\$0.0015/kWh) and EE (\$0.00275/kWh) components.

12 **Q. Do the utilities require Commission approval of the SBC rate billed to customers by**  
13 **a specific date?**

14 A. Yes, the utilities need approval of the SBC rate by December 27, 2017, in order to  
15 implement the new rate for service rendered on and after January 1, 2018.

16 **Q. Turning to gas, what is Northern presenting for the LRR and EEC??**

17 A. Northern is presenting the LRR and EEC in Attachments J3 (EEC) and J4 (LRR). These  
18 exhibits are being provided for informational purposes only at this time. The final  
19 proposed rates will be filed in Northern's upcoming Annual Cost of Gas filing due on or  
20 before September 15, 2017.

1 **Q. What is the LRR calculated for effect November 1, 2017?**

2 A. The calculated LRR for the residential classes is \$0.0028 per therm and the LRR for the  
3 commercial classes is \$0.0010. This is an increase of \$0.0022 from the currently  
4 effective rate of \$0.0006 for Residential Customers and an increase of \$0.0008 from the  
5 currently effective rate of \$0.0002 for C&I Customers.

6 **Q. Please explain the calculation of the proposed LRR?**

7 A. The calculation of the LRR is provided on Attachment J4. As shown on Page 1 of 6, the  
8 LRR for each sector (residential and commercial/industrial) is derived by dividing the  
9 projected annual lost revenue, plus the reconciliation balance, plus projected interest, by  
10 forecast firm annual throughput. Page 2 of 6 provides the projected reconciliation of  
11 costs and revenue for the period November 2017 through October 2018. This page also  
12 provides the calculation of estimated lost distribution revenue based on estimated  
13 savings. Page 3 of 6 provides the calculation of the Company's average distribution rates  
14 by sector that is used in the calculation of estimated lost revenue beginning August 1,  
15 2017. Page 4 of 6 provides further detail for the estimated savings that are used in the  
16 calculation of lost revenue on Page 2 of 6. Page 5 of 6 reconciles lost revenue for the  
17 term January 2017 through June 2017 and provides estimates for the term July 2017  
18 through October 2017.<sup>2</sup> Page 6 of 6 is the calculation of lost revenues for calendar year  
19 2018. This does not include prior cumulative savings.

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<sup>2</sup> Northern is booking lost revenue based on original estimated savings. The final reconciliation of lost revenue using actual savings will be provided in the June 2018 filing.

1 **Q. What is the purpose of the EEC?**

2 A. The purpose of the EEC is to recover from firm ratepayers Energy Efficiency program  
3 costs and performance incentives.

4 **Q. What are the changes to the EEC?**

5 A. The EEC for the residential classes is projected to increase from \$0.0331 per therm to  
6 \$0.0433 per therm, and the EEC is projected to increase from \$0.0142 per therm to  
7 \$0.0184 per therm for the commercial and industrial customer classes effective  
8 November 1, 2017.

9 **Q. Please describe the reason for these changes to and describe the derivation of the**  
10 **EEC.**

11 A. The changes to the EEC are necessitated by the implementation of Northern's calendar  
12 year 2018 energy efficiency program budget. That budget is provided in Attachment J3,  
13 Page 1 of 4.

14 The EEC is provided on Page 2 of 4. As shown, the rate is derived by customer class and  
15 includes an annual reconciliation of the program costs and performance incentives with  
16 an adjustment for the low-income discount costs. The projected reconciliation of costs  
17 and revenues is provided on Pages 3 and 4 for the residential classes and commercial and  
18 industrial classes, respectively.

1 **Q. Will Northern be updating the LRR and EEC?**

2 A. Yes. As previously indicated, Norther is providing the LRR and EEC schedules for  
3 informational purposes only. The LRR and EEC will be filed in the upcoming Annual  
4 2017 Cost of Gas Filing that will be submitted to the Commission on, or before,  
5 September 15, 2017.

6 **Q. Does this conclude your testimony?**

7 A. Yes, it does.