

UNITIL ENERGY SYSTEMS, INC.

DIRECT JOINT TESTIMONY OF

LINDA S. MCNAMARA

and

DOUGLAS J. DEBSKI

New Hampshire Public Utilities Commission

Docket No.: DE 18-\_\_\_\_

March 2, 2018

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## LIST OF SCHEDULES

Schedule LSM-DJD-1: External Delivery Charge

Schedule LSM-DJD-2: Redline Tariffs

1    **I.       INTRODUCTION**

2    Q.     Ms. McNamara, 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 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, price  
15           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   Q.     Mr. Debski, please state your name and business address.

1 A. My name is Douglas J. Debski. My business address is 6 Liberty Lane West,  
2 Hampton, New Hampshire 03842.  
3

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

5 A. I am a Senior Regulatory Analyst at USC.  
6

7 Q. Please describe your business and educational background.

8 A. In 1987, I graduated cum laude from the University of New Hampshire with a  
9 Bachelor of Science Degree in Mathematics. I have attended the Georgia Institute  
10 of Technology “Sampling Methods and Statistical Analysis in Power Systems  
11 Load Research” course and the “Advanced Sample Design and Analysis  
12 Techniques of Load Research” course sponsored by the Association of Edison  
13 Illuminating Companies Load Research Committee.  
14

15 Q. Please describe your professional background and duties.

16 A. I joined USC in May 1988. I have held numerous positions with the Company in  
17 the Rates and Regulatory Service Departments in progressing responsibilities up  
18 to my current position. I have prepared regulatory filings, tariffs, price analysis  
19 and design, load research studies and analyses, bill frequency analyses and load  
20 forecasting for or on behalf of UES and its retail affiliates, Fitchburg Gas and  
21 Electric Light Company d/b/a Unitil and Northern Utilities, Inc.  
22

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

3 A. Yes.  
4

5 **II. PURPOSE OF TESTIMONY**

6 Q. What is the purpose of your testimony in this proceeding?

7 A. The purpose of our testimony is to present and explain the proposed  
8 modification to UES's External Delivery Charge ("EDC"), effective April 1,  
9 2018 and corresponding changes to UES's Summary of Delivery Service  
10 Rates.  
11

12 Our testimony will focus on the changes needed to the calculation of the EDC  
13 as a result of the alternative net metering tariff approved in DE 16-576. Our  
14 testimony also describes tariff changes to the EDC in order to recover  
15 additional costs as provided for in the Commission's June 23, 2017 Order in  
16 DE 16-576.  
17

18 **III. REASON FOR CHANGES TO THE EXTERNAL DELIVERY**  
19 **CHARGE**

20 Q. Why are changes needed to the EDC at this time?

21 A. Changes are needed in order to properly bill and credit net metering customers  
22 taking service under UES's alternative net metering tariff. UES's alternative

1 net metering tariff, which is built into its Rates Applicable to Qualifying  
2 Facilities tariff, Schedule QF, was approved in Docket DE 16-576, effective  
3 September 1, 2017. By Commission order, the New Hampshire electric  
4 distribution companies are allowed the necessary time to make billing system  
5 changes in order to properly bill the new net metering customers taking  
6 service on the alternate net metering tariff. UES will be able to bill their new  
7 net metering customers under the new net metering rules beginning April 1,  
8 2018<sup>1</sup>, which requires a change to the EDC as discussed below.

9  
10 Q. Please describe how the new net metering rules impact the EDC.

11 A. The new net metering rules require that all non-bypassable charges be billed  
12 on the delivered channel kWh (from the company to the customer) of the net  
13 meter. These non-bypassable charges include the Stranded Cost Charge,  
14 Storm Recovery Adjustment Factor, System Benefits Charge, Electricity  
15 Consumption Tax, and the non-transmission portion of the EDC for UES. In  
16 addition, the net channel of the meter (delivered kWh less received kWh) will  
17 be billed on the distribution kWh charge, the transmission portion of the EDC,

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<sup>1</sup> Effective with meter readings in April, any customers with banked kWh under the old net metering tariff will be cashed out at the 2017 energy and capacity avoided cost rate determined by the Commission. May bills will reflect new billing under the alternative net metering tariff. In accordance with the Commission's June 23, 2017 Order in DE 16-576, UES has notified the customers that are currently being billed under the existing net metering provisions but will be moved to the alternative net metering tariff. These are customers who applied for interconnection and were deemed complete on and after September 1, 2017.

1 and Default Service or External Supply charges. Finally, any small customer  
2 generator who has a net surplus at the end of the billing cycle shall receive a  
3 bill credit at the value of the net surplus kWh times the sum of 25% of the  
4 distribution kWh charge, 100% of the transmission charge, and 100% of the  
5 default service charge, if applicable. Only customers on default service will  
6 receive the default service charge as part of the credit. The credit will be based  
7 on fixed or variable pricing depending which service the customer is  
8 receiving. In order to properly bill and credit net metering customers under  
9 the alternative net metering tariff, the EDC must be broken out into its  
10 transmission only and non-transmission components.

11  
12 **IV. CHANGES TO THE EXTERNAL DELIVERY CHARGE**

13 Q. Please summarize the proposed EDC changes.

14 A. The EDC recovers direct transmission costs, as well as other non-transmission  
15 costs. UES's current EDC recovers these expenses in a single per kWh factor,  
16 applicable to all classes. As part of the alternative net metering tariff,  
17 however, participating customers will be billed for the non-transmission  
18 portion of the EDC based on the delivered kWh channel of their meter, for the  
19 transmission portion based on the net kWh channel (delivered kWh less  
20 received kWh) of their meter, and also receive a credit for their net surplus  
21 kWh received by UES, with the credit including the transmission-only portion

1 of the EDC, as described above. Hence, it is necessary to separate the EDC  
2 into two components: transmission-only and non-transmission.

3

4 Q. Is UES proposing to change its effective EDC?

5 A. No, UES is not proposing to change its effective EDC of \$0.02637/kWh. This  
6 factor was approved for the period August 1, 2017 through July 31, 2018 as  
7 part of DE 17-102.

8

9 Q. Has UES calculated the two separate components of the EDC?

10 A. Yes. Schedule LSM-DJD-1, Page 1, shows the calculation of the currently  
11 effective EDC of \$0.02637/kWh, as well as the breakdown into the  
12 transmission-only portion of \$0.02582/kWh and non-transmission portion of  
13 \$0.00055/kWh.

14

15 Q. How were the total EDC and its components calculated?

16 A. The current EDC, approved in DE 17-102 for effect August 1, 2017 through  
17 July 31, 2018, was calculated by summing the prior period (over)/under  
18 recovery as of July 31, 2017, plus the estimated EDC costs and associated  
19 interest for the period August 2017 through July 2018. The total was divided  
20 by estimated calendar month kWh sales for the period August 2017 through  
21 July 2018. The transmission-only and non-transmission components have  
22 been calculated in a similar manner.



1

2 Q. What costs are part of the transmission-only component and non-transmission  
3 component of the EDC?

4 A. Schedule LSM-DJD-1, Page 2, presents all of the costs included in the current  
5 EDC. There have been no changes to the costs from those filed in DE 17-102.

6

7 The cost categories included in the transmission-only component of the EDC  
8 are the charges from Third Party Transmission Providers, Regional  
9 Transmission and Operating Entities, Third Party Transmission Providers, and  
10 the associated working capital associated with these costs. All other costs and  
11 credits are part of the non-transmission component of the EDC.

12

13 Q. Will the Company reconcile these sub-components separately in future EDC  
14 filings?

15 A. Yes, the Company will reconcile the non-transmission and transmission sub-  
16 components separately going forward, however, revenue billed on the total  
17 EDC to customers not on the alternative net metering tariff will be allocated to  
18 the subcomponents based on the ratio of these subcomponents' rates to the  
19 total EDC rate.

20

21 **V. TARIFF CHANGES**

22 Q. Has UES included tariff changes to reflect this proposed change?

1 A. Yes, Schedule LSM-DJD-2, Page 1, is a redline version of the Calculation of  
2 the External Delivery Charge tariff page. This page is essentially the same as  
3 provided on Page 1 of Schedule LSM-DJD-1. Schedule LSM-DJD-2, Pages 2  
4 and 3 are redline revised tariff Pages 4 and 5, Summary of Delivery Service  
5 Rates, incorporating the components of, and total, EDC. This will make the  
6 two components transparent for customers and will facilitate billing and  
7 customer service implementation of the alternative net metering tariff. Lastly,  
8 Schedule LSM-DJD-2, Page 4, presents the proposed changes, in redline, to  
9 the EDC tariff, Schedule EDC.

10

11 Q. Please explain the proposed changes to Schedule EDC.

12 A. The EDC tariff itself is being modified to allow for the future recovery of  
13 certain categories of costs associated with the alternative net metering tariff  
14 approved for recovery in Docket DE 16-576, Order No. 26,029 dated June 23,  
15 2017. Specifically, the Commission's order provided the following:

16 1) utilities to have the opportunity to recover lost revenues attributable to  
17 customer net metering, pursuant to the mechanism and process approved for  
18 Unitil in DE 15-147 (Order No. 26,029 at p.51);  
19 2) utilities to be permitted to recover prudently-incurred costs of required  
20 metering upgrades, study expenses, and pilot program implementation (Id., at  
21 p.51);

1           3) utilities should have the opportunity, during the period the new net  
2           metering tariff is in effect, to file for recovery of their prudently-incurred costs  
3           associated with independent monitoring services, bi-directional and  
4           production meters installed, and related data and management systems and  
5           processes (Id., at p.58);  
6           4) utilities should have the opportunity to recover their prudently-incurred  
7           costs of development and implementation of all approved pilot programs (Id.,  
8           at p.65);  
9           5) in reference to data collection and dissemination, utilities should have the  
10          opportunity to recover their prudently-incurred costs of the required data  
11          collection, maintenance, and dissemination (Id., at p.67);  
12          6) in reference to utilities' administrative processes required for new tariff  
13          implementation, the utilities should have a reasonable opportunity to recover  
14          their prudently-incurred costs of billing, metering, and data processing  
15          changes needed to implement the new net metering tariff provisions, as well  
16          as those costs related to data collection and dissemination, value of DER study  
17          performance, and potential pilot programs approved for development (Id., at  
18          p.70).

19

20    Q.     Is the Company requesting the recovery of any of these costs in this filing?

21    A.     No.

22

1 Q. When will the Company begin incurring these costs under the alternative net  
2 metering tariff?

3 A. The costs of bill credits will begin in May 2018 when customers on the  
4 alternative net metering tariff become eligible to receive credits for net surplus  
5 kWh at the end of their billing cycle. The costs of production meters installed  
6 and related data management systems and processes will begin when a  
7 customer on the alternative net metering tariff requests such a meter and/or  
8 associated REC management processes and independent monitoring services.  
9 Pilot programs are in development as part of working groups and cost  
10 estimates are not yet available. The costs of data collection, maintenance and  
11 dissemination would be incurred when those systems are established. Finally,  
12 the costs of net metering installation for large customer generators will be  
13 incurred at time of installation.

14

15 Q. Please summarize how costs associated with the current net metering tariff  
16 (PUC 900 rules) are treated?

17 A. The costs of net meters are not recovered in a flow through mechanism but are  
18 instead treated as regular meter installation and recovered through base rates.  
19 Since the incremental cost of a net meter for a small customer generator is  
20 very small, UES plans to continue this process for recovering net meter costs  
21 under the alternative net metering tariff as well. In the current tariff, small  
22 customer generators are allowed to bank surplus net kWh to be used in future

1 billing cycles. If, after the March billing cycle, a customer has over 600 kWh  
2 of banked kWh accrued on default service they are given the option of  
3 receiving a bill credit or a payment for the banked kWh at the amount of  
4 banked kWh times the avoided cost of energy and capacity as computed by  
5 the Commission every April. The cost of these credits and payments is  
6 recovered through the default service mechanism. Also included in default  
7 service are the costs of any credits paid to group hosts and large customer  
8 generators. The Company proposes to continue collecting these prior net  
9 metering tariff costs through default service.

10

11 **VI. CONCLUSION**

12 Q. Does that conclude your testimony?

13 A. Yes, it does.