

Unitil Energy Systems, Inc.
Docket No. DE 20-039
Record Request

Received: September 30, 2020
Request No. RR 1 – Exhibit 6

Date of Response: October 1, 2020
Witness: Linda S. McNamara

Request:

Please explain how the Unitil Service Corp overhead rate, as referenced in Exhibit 4 Bates Page 182, is calculated. Furthermore, please explain what might cause a fluctuation in that amount.

Response:

Unitil Service Corp. (“USC”) provides a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology and energy supply management services on a centralized basis to its affiliated Unitil companies, which includes Unitil Energy Systems, Inc. These services are provided at cost, meaning USC shows zero net income. To achieve a zero net income, expenses are billed to its affiliates via an overhead factor. The overhead factor is determined by taking a ratio of these costs each month to total USC payroll. The overhead factor used to calculate the internal administrative costs included in Unitil Energy Systems, Inc.’s default service rates is based on a simple average of the monthly overhead factors for the year.

As a result of changes in the various component costs that contribute to the overhead factor, fluctuations in the factor occurs. Below please find a table showing the overhead factor for each year 2015-2019 which were used as part of the calculation of internal administrative costs in default service. In looking at specifically CY 2019 versus CY 2018, part of the change was the result of a change in the accounting of certain taxes.

Avg. Overhead Factor	Calendar Year	Provided in Docket
118%	2015	DE 16-250
122%	2016	DE 17-038
126%	2017	DE 18-035
116%	2018	DE 19-049
124%	2019	DE 20-039