

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF  
LINDA S. MCNAMARA**

**New Hampshire Public Utilities Commission**

**Docket No. DE 13-079**

**April 85, 2013**

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## **LIST OF SCHEDULES**

**Schedule LSM-1: Redline Tariffs**

**Schedule LSM-2: Non-G1 Class Retail Rate Calculations - Power Supply Charge**

**Schedule LSM-3: Non-G1 Class Retail Rate Calculations - Renewable Portfolio  
Standard Charge**

**Schedule LSM-4: G1 Class Retail Rate Calculations - Power Supply Charge**

**Schedule LSM-5: G1 Class Retail Rate Calculations - Renewable Portfolio  
Standard Charge**

**Schedule LSM-6: Class Bill Impacts**

1   **I.       INTRODUCTION**

2   **Q.       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 for 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, including  
15           changes to the default service charges, price 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   **II.       PURPOSE OF TESTIMONY**

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

1 A. The purpose of my testimony is to present and explain the proposed changes to  
2 UES's Default Service Charge ("DSC") effective June 1, 2013, as reflected in the  
3 redline tariffs provided as Schedule LSM-1.

4  
5 **Q. Is UES proposing any other tariff changes for effect June 1, 2013?**

6 A. Yes. Schedule LSM-1, Page 3 of 3, provides a proposed Schedule RSO, the  
7 Renewable Source Option, tariff page 108, for effect June 1, 2013. Mr. Bohan  
8 provides support for the rates shown.

9  
10 In addition, because UES incorporates the Non-G1 DSC into its Summary of  
11 Low-Income Electric Assistance Program Discounts, the proposed June 1 DSC  
12 change would affect that tariff page. However, UES has proposed other tariff  
13 changes, in separate dockets, pending approval for effect May 1, 2013. UES will  
14 include the DSC into the Summary of Low-Income Electric Assistance Program  
15 Discounts by filing a compliance tariff in this docket which would incorporate  
16 any approved rates for effect May 1, as well as the approved June 1, 2013 DSC.

17  
18 **III. RETAIL RATE CALCULATIONS**

19 **Q. What is the proposed Non-G1 Class DSC?**

20 A. As shown on Schedule LSM-1, Page 1, REVISED, the proposed fixed Non-G1  
21 DSC is ~~\$0.07264~~\$0.07130 per kWh for the Non-G1 Class for the period June 1,

1 2013 through November 30, 2013. The proposed variable Non-G1 DSC for this  
2 same period is also shown on this page.

3  
4 The proposed DSC are comprised of two components, as shown on Schedule  
5 LSM-1, Page 1, REVISED: A Power Supply Charge and a Renewable Portfolio  
6 Standard ("RPS") Charge.

7  
8 **Q. What is the proposed Power Supply Charge and RPS Charge?**

9 A. For the period June 1, 2013 through November 30, 2013, the proposed fixed Non-  
10 G1 Power Supply Charge is \$0.06764 per kWh and the proposed fixed Non-G1  
11 RPS Charge is ~~\$0.00500~~ \$0.00366 per kWh. Both of these figures, as well as the  
12 variable amounts for the same period, are shown on Schedule LSM-1, Page 1,  
13 REVISED.

14  
15 **Q. How does the Non-G-1 fixed DSC rate compare to the current rate?**

16 A. The proposed fixed Non-G1 DSC of ~~\$0.07264~~ \$0.07130 per kWh is a decrease~~an~~  
17 increase of ~~\$0.00086~~ \$0.00048 per kWh from the current DSC of \$0.07178 per  
18 kWh. This decrease~~increase~~ is primarily due to a decrease in the Power Supply  
19 Charge due to a change in the reconciliation balance~~change in the RPS~~  
20 ~~reconciliation balance due to the final cost of calendar year 2011 Renewable~~  
21 ~~Energy Credits ("RECs") coming in higher than forecast.~~

1   **Q.   Please describe the calculation of the Non-G1 class DSC.**

2   A.   The rate calculations for the Non-G1 class Power Supply Charges, fixed and  
3       variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the  
4       Non-G1 class RPS Charges, fixed and variable, are provided on Schedule LSM-3,  
5       Page 1, REVISED. Both charges are calculated in a similar manner.

6  
7       Variable pricing is calculated by dividing the total costs for the month, including a  
8       partial reconciliation of costs and revenues through February 28, 2013, by the  
9       estimated monthly Non-G1 kWh purchases. An estimated loss factor of 6.4% is  
10      then added to arrive at the proposed retail variable charges. Fixed pricing is  
11      calculated in a similar manner, except that the calculation is based on totals for  
12      the entire six month period.

13  
14   **Q.   Have you made any adjustments to the reconciliation balances included in**  
15   **the Power Supply and RPS charges?**

16   A.   In order to determine the reconciliation amount included in the Non-G1 class  
17       power supply charge, the reconciliation balance as of February 28, 2013 was  
18       adjusted to recognize that estimated revenue in March, April, and May 2013  
19       should exceed costs for this same period by an estimated \$1,658,671. This  
20       adjustment recognizes that estimated costs for March, April and May 2013 are  
21       below the average cost for the entire period, November 2012-May 2013, while  
22       revenue will be primarily based on the fixed Power Supply Charge, of which most

1 Non-G1 customers pay, and is determined using an average of costs for the entire  
2 November 2012-May 2013 period. This adjustment brings the February 28, 2013  
3 balance from \$1,976,435 to \$317,764.

4  
5 In order to determine the reconciliation amounts included in the Non-G1 class  
6 RPS, the reconciliation balance as of February 28, 2013 was adjusted to account  
7 for an estimate of RECs yet to be purchased. The Non-G1 class RPS  
8 reconciliation balance also includes an adjustment to recognize that the current  
9 RPS charges, in effect through May 31, 2013, include a credit for the  
10 overcollection as of January 31, 2012.

11  
12 Since UES reconciles its costs on an annual basis, only a portion of the total  
13 reconciliation balances are reflected in the proposed Power Supply and RPS rates.  
14 UES apportioned the Power Supply balance and the RPS balance based on kWh  
15 over the twelve month period June 2013 through May 2014. This calculation is  
16 provided on Page 1 of Schedule LSM-2 for Power Supply and Page 1, REVISED,  
17 of Schedule LSM-3 for RPS.

18  
19 **Q. Please explain the adjustment to the RPS reconciliation balance mentioned**  
20 **above regarding the estimate of RECs yet to be purchased.**

21 **A.** This adjustment recognizes that RPS revenue includes recovery of estimated RPS  
22 costs. However, these costs have not yet been fully paid but are being accrued.

1 In order to prevent refunding these amounts, UES has added the amounts it has  
2 already collected in rates to the reconciliation balance. This method ensures that  
3 customers are appropriately compensated through the interest calculation, which  
4 reflects that these costs have not yet been paid.  
5

6 **Q. Have you provided details on the reconciliation?**

7 A. Support for the February 28, 2013 Non-G1 class power supply reconciliation  
8 balance is provided on Schedule LSM-2, Page 2. Support for the February 28,  
9 2013 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3,  
10 Page 2. As described above, those figures have been adjusted in order to arrive at  
11 the figures for collection beginning June 1, 2013. Details for costs for the period  
12 February 2012 through February 2013 are provided on Page 3 of Schedule LSM-2  
13 and LSM-3. Page 4 of Schedule LSM-2 and LSM-3 provides revenue details.  
14

15 **Q. Have you provided support for the total forecast costs shown on Page 1,**  
16 **line 2 of Schedule LSM-2?**

17 A. The details of forecasted costs for the period June through November 2013 are  
18 provided on Schedule LSM-2, Page 5. Line items for the various costs  
19 included in default service are shown and include: Total Non-G1 Class DS  
20 Supplier Charges, GIS Support Payments, Supply Related Working Capital,  
21 Provision for Uncollected Accounts, Internal Company Administrative Costs,  
22 Legal Charges, and Consulting Outside Service Charges. In addition, costs



1 include an adjustment to recover default service related costs associated with  
2 the customer billing adjustment in DE 11-105.

3  
4 **Q. Have you provided support for the customer billing adjustment line item**  
5 **on Schedule LSM-2, Page 5?**

6 A. Support for the monthly amount of \$41,314 included in June through  
7 November 2013 is provided on Schedule LSM-2, Page 6. In accordance with  
8 the Settlement Agreement dated October 4, 2012 and approved on January 25,  
9 2013 by Order No. 25,458 in DE 11-105, UES was allowed to recover  
10 \$1,152,493, plus interest beginning June 1, 2012, through Non-G1 Default  
11 Service. Recovery of this adjustment will continue through November 2015.  
12 As shown on Schedule LSM-2, Page 6, based on the current prime interest  
13 rate of 3.25%, recovery of \$41,314 each month will result in a zero balance at  
14 the end of November 2015.

15  
16 **Q. Have you provided support for the total forecast costs shown on Page 1,**  
17 **REVISED, line 2 of Schedule LSM-3?**

18 A. The details of forecasted costs for the period June through November 2013 are  
19 provided on Schedule LSM-3, Page 5, REVISED. Costs include RECs and  
20 the associated working capital.

21  
22 **Q. How is working capital calculated?**

1 A. Working capital included in the Power Supply Charge equals the sum of  
2 working capital for Total Non-G1 Class DS Supplier Charges plus GIS  
3 Support Payments, as shown on Schedule LSM-2, Pages 3 and 5. It is  
4 calculated by taking the product of Total Non-G1 Class DS Supplier Charges  
5 plus GIS Support Payments and the number of days lag divided by 365 days  
6 (i.e. the working capital requirement) and multiplying it by the prime rate.

7  
8 The calculation of working capital for RECs is included in the RPS Charge  
9 and is shown on Schedule LSM-3, Pages 3 and 5, REVISED. It is calculated  
10 by taking the product of RECs and the number of days lead divided by 365  
11 days (i.e. the working capital requirement) and multiplying it by the prime  
12 rate.

13  
14 The calculation of working capital included in the Power Supply Charge and  
15 the RPS Charge both rely on the results of the 2012 Default Service and  
16 Renewable Energy Credits Lead Lag Study, presented by Ms. Guay. The  
17 Non-G1 class Power Supply Charge working capital calculation uses 16.01  
18 days and the Non-G1 class RPS Charge working capital calculation uses  
19 (258.25) days.

20  
21 Q. What is the proposed G1 Class DSC?

1 A. The proposed G1 class DSC are comprised of two componets, as shown on  
2 Schedule LSM-1, Page 2, REVISED: A Power Supply Charge and a Renewable  
3 Portfolio Standard ("RPS") Charge. The wholesale supplier charge included in  
4 the Power Supply Charge will be determined each month based on the sum of  
5 fixed monthly adders and variable energy prices, and therefore, the total DSC for  
6 the G1 class is not known at this time.

7  
8 **Q. What is the proposed Power Supply Charge, exclusive of supplier charges,**  
9 **and RPS Charge?**

10 A. Schedule LSM-1, Page 2, REVISED, shows the proposed G1 Power Supply  
11 Charges, excluding the supplier charge component, of \$0.00309 per kWh in June  
12 through November 2013. The wholesale supply charge determined each month  
13 will be added to this amount to yield the monthly G1 class Power Supply Charge.

14  
15 Also shown on Schedule LSM-1, Page 2, REVISED, is the proposed G1 RPS  
16 Charge of ~~\$0.00530~~ \$0.00396 per kWh in June through November 2013.

17  
18 **Q. Have you prepared a comparison of the proposed G1 DSC to the current**  
19 **rate?**

20 A. No. As the total G1 class DSC is not yet known, a comparison to current rates  
21 was not performed.

22

1   **Q.    Please describe the calculation of the G1 class DSC.**

2    A.    The rate calculations for the Power Supply Charges, excluding wholesale supplier  
3           charges, are provided on Schedule LSM-4, Page 1. The rate calculations for the  
4           RPS Charges are provided on Schedule LSM-5, Page 1, REVISED. Both charges  
5           are calculated in the same manner.

6  
7           Each charge is calculated by dividing the costs for each month, including a partial  
8           reconciliation of costs and revenues through February 28, 2013, by the estimated  
9           G1 kWh purchases for the corresponding month. An estimated loss factor of  
10          4.591% is then added to arrive at the proposed retail charges.

11  
12          Similar to the Non-G1 power supply and RPS balances, the G1 class power  
13          supply and RPS reconciliation balances as of February 28, 2013 were adjusted in  
14          order to determine the reconciliation amount for this filing. Adjustments were  
15          made to reflect that the current DSC include reconciliation of the January 1, 2012  
16          power supply and RPS balances, to incorporate the difference between the  
17          estimated supplier cost and revenue in March 2013, and to adjust to account for  
18          RPS. These adjustments are shown on Page 1 of Schedule LSM-4 and Page 1,  
19          REVISED, of Schedule LSM-5.

20  
21   **Q.    Have you provided details on the reconciliation?**

1 A. Support for the February 28, 2013 G1 class power supply reconciliation balance is  
2 provided on Schedule LSM-4, Page 2. Support for the February 28, 2013 G1  
3 class RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As  
4 described above, those figures have been adjusted in order to arrive at the figures  
5 for collection beginning June 1, 2013. Details for costs for the period February  
6 2012 through February 2013 are provided on Page 3 of Schedule LSM-4 and  
7 LSM-5. Page 4 of Schedule LSM-4 and LSM-5 provides revenue details.

8  
9 **Q. Have you provided support for the total forecast costs shown on Page 1,**  
10 **line 2 of Schedule LSM-4?**

11 A. The details of forecasted costs included in the Power Supply Charge for the  
12 period June through November 2013 are provided on Schedule LSM-4, Page  
13 5. Line items for the various costs included in default service are shown and  
14 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply  
15 Related Working Capital, Provision for Uncollected Accounts, Internal  
16 Company Administrative Costs, Legal Charges, and Consulting Outside  
17 Service Charges. At the end of each month, UES will determine the supplier  
18 charge to be added to the monthly Power Supply Charge.

19  
20 **Q. Have you provided support for the total forecast costs shown on Page 1,**  
21 **REVISED, line 2 of Schedule LSM-5?**

1 A. The details of forecasted costs included in the RPS Charge for the period June  
2 through November 2013 are provided on Schedule LSM-5, Page 5,  
3 REVISED. Costs include Renewable Energy Credits (“RECs”) and the  
4 associated Working Capital.

5  
6 **Q. How is working capital calculated?**

7 A. Working capital included in the Power Supply Charge equals the sum of  
8 working capital for Total G1 Class DS Supplier Charges plus GIS Support  
9 Payments and is shown on Schedule LSM-4, Pages 3 and 5. It is calculated  
10 by taking the product of Total G1 Class DS Supplier Charges plus GIS  
11 Support Payments and the number of days lag divided by 365 days (i.e. the  
12 working capital requirement) and multiplying it by the prime rate. As the  
13 Total G1 Class DS Supplier Charges for the upcoming rate period are not yet  
14 known, UES has estimated power supply costs for the purpose of estimating  
15 working capital. The estimate of power supply costs is based on the  
16 forecasted G1 class kWh purchases and an estimated price per kWh. The  
17 estimated price per kWh was determined by comparing a historical  
18 relationship between G1 and Non-G1 class supplier pricing and then applying  
19 that relationship to the current average Non-G1 supplier price per kWh.  
20 Actual working capital will be determined using the actual supplier charges in  
21 each month.

1 The calculation of working capital for RECs is included in the RPS Charge  
2 and is shown on Schedule LSM-5, Pages 3 and 5, REVISED. It is calculated  
3 by taking the product of RECs and the number of days lead divided by 365  
4 days (i.e. the working capital requirement) and multiplying it by the prime  
5 rate.

6  
7 The calculation of working capital included in the Power Supply Charge and  
8 the RPS Charge both rely on the results of the 2012 Default Service and  
9 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply  
10 Charge working capital calculation uses (1.34) days and the G1 class RPS  
11 Charge working capital calculation uses (273.07) days.

12  
13 **IV. BILL IMPACTS**

14 **Q. Have you included any bill impacts associated with the proposed DSC rate**  
15 **changes?**

16 A. Typical bill impacts isolating the impact of changes to the DSC have been  
17 provided in Schedule LSM-6, REVISED. Total bill impacts to G1 customers are  
18 unknown at this time and have therefore been excluded from Schedule LSM-6.

19  
20 Pages 1, REVISED, and 2, REVISED, provide a table comparing the existing  
21 rates to the proposed rates for the residential and General Service rate classes.

1 These pages also show the impact on a typical bill for each class in order to  
2 identify the effect of each rate component on a typical bill.

3  
4 Page 3, REVISED, shows bill impacts to the residential class based on the mean  
5 and median use. Page 3 is provided in a format similar to Pages 1 and 2.

6  
7 Page 4, REVISED, provides the overall average class bill impacts as a result of  
8 changes to the DSC. As shown, for customers on Default Service, the residential  
9 class will ~~decrease~~increase by approximately ~~0.6~~0.3%, general service will  
10 ~~increase~~decrease by approximately ~~0.6~~0.3%, and outdoor lighting will  
11 ~~increase~~decrease by approximately ~~0.3~~0.2%.

12  
13 Pages 5 through 9, REVISED, of Schedule LSM-6 provide typical bill impacts for  
14 all classes, excluding G1, for a range of usage levels.

15  
16 **V. CONCLUSION**

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

18 **A.** Yes, it does.