

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 14-061

April 4, 2014

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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, 2014, 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, 2014?**

6 A. Yes. Because UES incorporates the Non-G1 DSC into its Summary of Low-
7 Income Electric Assistance Program Discounts, the proposed June 1 DSC change
8 would affect that tariff page. However, UES has proposed other tariff changes, in
9 separate dockets, pending approval for effect May 1, 2014. UES will include the
10 DSC into the Summary of Low-Income Electric Assistance Program Discounts by
11 filing a compliance tariff in this docket which would incorporate any approved
12 rates for effect May 1, as well as the approved June 1, 2014 DSC.
13

14 **III. RETAIL RATE CALCULATIONS**

15 **Q. What are the proposed Non-G1 Class DSC?**

16 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
17 G1 DSC is \$0.08413 per kWh and the proposed G2 and Outdoor Lighting ("OL")
18 Class fixed Non-G1 DSC is \$0.07957 per kWh for the period June 1, 2014
19 through November 30, 2014. The proposed Residential Class variable Non-G1
20 DSC and the proposed G2 and OL Class variable Non-G1 DSC for this same
21 period are also shown on this page.
22

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

5 **Q. What are the proposed Power Supply Charges and RPS Charge?**

6 A. For the period June 1, 2014 through November 30, 2014, the proposed Residential
7 Class fixed Non-G1 Power Supply Charge is \$0.08205 per kWh, the proposed
8 G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.07749 per kWh, and
9 the proposed fixed Non-G1 RPS Charge is \$0.00208 per kWh. These figures, as
10 well as the variable amounts for the same period, are shown on Schedule LSM-1,
11 Page 1.
12

13 **Q. How do the Non-G1 fixed DSC rates compare to the current rate?**

14 A. The proposed Residential Class fixed Non-G1 DSC of \$0.08413 per kWh is a
15 decrease of \$0.01143 per kWh from the current DSC of \$0.09556 per kWh. The
16 proposed G2 and OL Class fixed Non-G1 DSC of \$0.07957 per kWh is a decrease
17 of \$0.01059 per kWh from the current DSC of \$0.09016 per kWh. These
18 decreases reflect lower contract costs for the period June 1, 2014 through
19 November 30, 2014 compared to the contract costs for the current period
20 December 1, 2013 through May 31, 2014.
21

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

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

5
6 Variable pricing is calculated by dividing the total costs for the month, including a
7 partial reconciliation of costs and revenues through February 28, 2014, by the
8 estimated monthly kWh purchases for the Residential Class and the G2 and OL
9 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed
10 retail variable charges. Fixed pricing is calculated in a similar manner, except
11 that the calculation is based on each classes' total for the entire six month period.

12

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

15 A. In order to determine the reconciliation amount included in the Non-G1 class
16 power supply charge, the reconciliation balance as of February 28, 2014 was
17 adjusted to recognize that estimated revenue in March, April, and May 2014
18 should exceed costs for this same period by an estimated \$3,728,418. This
19 adjustment recognizes that estimated costs for March, April and May 2014 are
20 below the average cost for the entire period, November 2013-May 2014, while
21 revenue will be primarily based on the fixed Power Supply Charge, of which most
22 Non-G1 customers pay, and is determined using an average of costs for the entire

1 November 2013-May 2014 period. This adjustment brings the February 28, 2014
2 balance from \$3,235,129 to \$493,290.

3

4 In order to determine the reconciliation amounts included in the Non-G1 class
5 RPS, the reconciliation balance as of February 28, 2014 was adjusted to account
6 for an estimate of RECs yet to be purchased. The Non-G1 class RPS
7 reconciliation balance also includes an adjustment to recognize that the current
8 RPS charges, in effect through May 31, 2014, include a charge for the
9 undercollection as of February 28, 2013. Lastly, the February 28, 2014
10 Renewable Source Option ("RSO") reconciliation balance, provided on Schedule
11 LSM-3, Page 6, has been included in the Non-G1 class RPS reconciliation.

12

13 Since UES reconciles its costs on an annual basis, only a portion of the total
14 reconciliation balances are reflected in the proposed Power Supply and RPS rates.
15 UES apportioned the Power Supply balance and the RPS balance based on kWh
16 over the twelve month period June 2014 through May 2015. The Power Supply
17 reconciliation balance is further divided between the Residential Class and the
18 G2/OL Class, based on kWh. This calculation is provided on Page 1 of Schedule
19 LSM-2 for Power Supply and Page 1 of Schedule LSM-3 for RPS.

20

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

1 A. This adjustment recognizes that RPS revenue includes recovery of estimated RPS
2 costs. However, these costs have not yet been fully paid but are being accrued.
3 In order to prevent refunding these amounts, UES has added the amounts it has
4 already collected in rates to the reconciliation balance. This method ensures that
5 customers are appropriately compensated through the interest calculation, which
6 reflects that these costs have not yet been paid.

7

8 **Q. Why has the Company included the Renewable Source Option reconciliation**
9 **balance in the Non-G1 class RPS reconciliation?**

10 A. In DE 13-262, Order No. 25,597, UES was granted approval to end the RSO
11 program effective December 19, 2013. In a letter dated December 6, 2013, UES
12 provided the Commission with its proposed form of notice regarding how it
13 would inform RSO customers of the program's termination. In addition, in the
14 letter, UES stated it would file as part of its default service filing process, a
15 reconciliation of RSO program costs and revenues upon final completion, as well
16 as its proposal on how to refund/collect any remaining RSO reconciliation
17 balance. Because UES purchases RECs for the RSO program as part of its
18 normal RECs purchasing, UES proposes to reconcile the RSO as part of the RECs
19 reconciliation. Upon Commission approval, UES will add the RSO balance to the
20 RPS reconciliation balance.

21

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

1 A. Support for the February 28, 2014 Non-G1 class power supply reconciliation
2 balance is provided on Schedule LSM-2, Page 2. Support for the February 28,
3 2014 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3,
4 Page 2. As described above, those figures have been adjusted in order to arrive at
5 the figures for collection beginning June 1, 2014. Details for costs for the period
6 March 2013 through February 2014 are provided on Page 3 of Schedule LSM-2
7 and LSM-3. Page 4 of Schedule LSM-2 and LSM-3 provides revenue details.

8

9 **Q. How does UES account for credits to net metering customers?**

10 A. The Company currently includes in the Total Non-G1 Class DS Supplier Charges,
11 in the Non-G1 Class Power Supply Charge, the amounts credited to, or paid to,
12 small customer generator net metering customers with an excess of 600 kWh
13 banked at the end of the March billing cycle who opt to be credited or paid in
14 accordance with the PUC 900 rules. This amount was \$1,149.25, included in
15 May 2013.

16

17 UES also plans to include, in future filings, any monthly amounts credited to, or
18 paid to, large customer generators or group net metering customers in accordance
19 with PUC 900.

20

21 **Q. Have you provided support for the total forecast costs shown on Page 1,**
22 **lines 2 and 10 of Schedule LSM-2?**

1 A. The details of forecasted costs for the period June through November 2014 are
2 provided on Schedule LSM-2, Page 5. Line items for the various costs
3 included in default service are shown and include: Non-G1 Class (Residential)
4 DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier Charges, GIS
5 Support Payments, Supply Related Working Capital, Provision for
6 Uncollected Accounts, Internal Company Administrative Costs, Legal
7 Charges, and Consulting Outside Service Charges. In addition, costs include
8 an adjustment to recover default service related costs associated with the
9 customer billing adjustment in DE 11-105.

10

11 **Q. Have you provided support for the customer billing adjustment line item**
12 **on Schedule LSM-2, Pages 3 and 5?**

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

21

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

1 A. The details of forecasted costs for the period June through November 2014 are
2 provided on Schedule LSM-3, Page 5. Costs include RECs and the associated
3 working capital.

4

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

6 A. Working capital included in the Power Supply Charge equals the sum of
7 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus
8 Non-G1 Class (G2 and OL) DS Supplier Charges¹, plus GIS Support
9 Payments, as shown on Schedule LSM-2, Pages 3 and 5. It is calculated by
10 taking the product of Non-G1 Class (Residential) DS Supplier Charges plus
11 Non-G1 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments
12 and the number of days lag divided by 365 days (i.e. the working capital
13 requirement) and multiplying it by the prime rate.

14

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

19

¹ In actuals, the supplier charges are provided in total in the column "Total Non-G1 Class
DS Supplier Charges".

1 The calculation of working capital included in the Power Supply Charge and
2 the RPS Charge for the period beginning June 1, 2014 both rely on the results
3 of the 2013 Default Service and Renewable Energy Credits Lead Lag Study,
4 presented by Ms. Guay. The Non-G1 class Power Supply Charge working
5 capital calculation uses 7.48 days and the Non-G1 class RPS Charge working
6 capital calculation uses (317.15) days.

7
8 **Q. What is the proposed G1 Class DSC?**

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

15
16 **Q. What is the proposed Power Supply Charge, exclusive of supplier charges,
17 and RPS Charge?**

18 A. Schedule LSM-1, Page 2, shows the proposed G1 Power Supply Charges,
19 excluding the supplier charge component, of \$0.00601 per kWh in June through
20 November 2014. The wholesale supply charge determined each month will be
21 added to this amount to yield the monthly G1 class Power Supply Charge.

22

1 Also shown on Schedule LSM-1, Page 2, is the proposed G1 RPS Charge of
2 \$0.00021 per kWh in June through November 2014.

3
4 **Q. Have you prepared a comparison of the proposed G1 DSC to the current**
5 **rate?**

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

8
9 **Q. Please describe the calculation of the G1 class DSC.**

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

14
15 Each charge is calculated by dividing the costs for each month, including a partial
16 reconciliation of costs and revenues through February 28, 2014, by the estimated
17 G1 kWh purchases for the corresponding month. An estimated loss factor of
18 4.591% is then added to arrive at the proposed retail charges.

19
20 Similar to the Non-G1 power supply and RPS balances, the G1 class power
21 supply and RPS reconciliation balances as of February 28, 2014 were adjusted in
22 order to determine the reconciliation amount for this filing. Adjustments were
23 made to reflect that the current DSC include reconciliation of the February 28,

1 2013 power supply and RPS balances, to incorporate the difference between the
2 estimated supplier cost and revenue in March 2014, and to adjust to account for
3 RPS. These adjustments are shown on Page 1 of Schedule LSM-4 and LSM-5.

4

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

6 A. Support for the February 28, 2014 G1 class power supply reconciliation balance is
7 provided on Schedule LSM-4, Page 2. Support for the February 28, 2014 G1
8 class RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As
9 described above, those figures have been adjusted in order to arrive at the figures
10 for collection beginning June 1, 2014. Details for costs for the period March 2013
11 through February 2014 are provided on Page 3 of Schedule LSM-4 and LSM-5.
12 Page 4 of Schedule LSM-4 and LSM-5 provides revenue details.

13

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

16 A. The details of forecasted costs included in the Power Supply Charge for the
17 period June through November 2014 are provided on Schedule LSM-4, Page
18 5. Line items for the various costs included in default service are shown and
19 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply
20 Related Working Capital, Provision for Uncollected Accounts, Internal
21 Company Administrative Costs, Legal Charges, and Consulting Outside
22 Service Charges. At the end of each month, UES will determine the supplier
23 charge to be added to the monthly Power Supply Charge.

1

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

4 A. The details of forecasted costs included in the RPS Charge for the period June
5 through November 2014 are provided on Schedule LSM-5, Page 5. Costs
6 include Renewable Energy Credits (“RECs”) and the associated Working
7 Capital.

8

9 **Q. How is working capital calculated?**

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

1 Actual working capital will be determined using the actual supplier charges in
2 each month.

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

8
9 The calculation of working capital included in the Power Supply Charge and
10 the RPS Charge both rely on the results of the 2013 Default Service and
11 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
12 Charge working capital calculation uses (5.05) days and the G1 class RPS
13 Charge working capital calculation uses (332.80) days.

14

15 **IV. BILL IMPACTS**

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

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

21

22 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
23 for the residential and General Service rate classes. These pages also show the

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

3

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

6

7 Page 4 provides the overall average class bill impacts as a result of changes to the
8 DSC. As shown, for customers on Default Service, the residential class will
9 decrease by approximately 6.6%, general service will decrease by approximately
10 6.6%, and outdoor lighting will decrease by approximately 3.5%.

11

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

14

15 **V. CONCLUSION**

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

17 **A.** Yes, it does.

