

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 09-009

March 13, 2009

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- Schedule LSM-1: Redline Default Service Tariffs**
- Schedule LSM-2: Non-G1 Class Retail Rate Calculations**
- Schedule LSM-3: G1 Class Retail Rate Calculations**
- Schedule LSM-4: 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 I 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, 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

22 **II. PURPOSE OF TESTIMONY**

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

2 A. The purpose of my testimony is to present and explain the proposed changes to
3 UES' Default Service Charge ("DSC") effective May 1, 2009, as reflected in the
4 redline tariffs provided as Schedule LSM-1.

5
6 My testimony will focus on the reconciliation and rate development for the DSC.
7 UES witness Robert S. Furino is sponsoring testimony which addresses the costs
8 associated with these changes.

9
10
11 **III. RETAIL RATE CALCULATIONS**

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

13 A. As shown on Schedule LSM-1, Page 1, the proposed Non-G1 Fixed DSC is
14 \$0.08618 per kWh for the Non-G1 Class for the period May 1, 2009 through
15 October 31, 2009. The proposed Non-G1 Variable DSC for this same period are
16 also shown on this page.

17
18 **Q. How does this rate compare to the current rate?**

19 A. The Non-G1 Fixed DSC of \$0.08618 per kWh is a decrease of \$0.02621 per kWh
20 from the current DSC of \$0.11239 per kWh. This decrease reflects lower contract
21 costs for the period May 1, 2009 through October 31, 2009 compared to the
22 contract costs for the current period November 1, 2008 through April 30, 2009.

1

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

3 A. Rate calculations for the Fixed and Variable DSC are provided on Schedule LSM-
4 2, Page 1.

5

6 The Variable Charge is calculated by dividing the total costs for the month,
7 including a partial reconciliation of costs and revenues through January 31, 2009,
8 by the estimated monthly Non-G1 kWh purchases. An estimated loss factor of
9 6.4% is then added to arrive at the proposed retail Variable Charges. The Fixed
10 Charge is calculated in a similar manner, except that the calculation is based on
11 totals for the entire six month period.

12

13 In order to determine the reconciliation amount, the Non-G1 class reconciliation
14 balance as of January 31, 2009 was first adjusted to recognize that the current
15 default service charges, in effect through April 30, 2009, include a credit for the
16 overcollection as of January 31, 2008. A second adjustment was made related to
17 accounting for RPS. Since UES now reconciles its costs on an annual basis, only
18 a portion of the total balance is reflected in the rate. UES apportioned the balance
19 based on kWh over the twelve month period May 2009 through April 2010. This
20 calculation is provided on Page 1.

21

22 **Q. Please explain the adjustment related to accounting for RPS.**

1 A. This adjustment recognizes that UES has included RPS costs in its rates since
2 January 1, 2008. However, these costs have not yet been paid but are being
3 accrued. In order to prevent refunding these amounts, UES has added the
4 amounts it has already collected in rates to the reconciliation balance. This
5 method ensures that customers are appropriately compensated through the interest
6 calculation, which reflects that these costs have not yet been paid.

7
8 **Q. Have you provided details on the reconciliation?**

9 A. Support for the January 31, 2009 Non-G1 class reconciliation balance is provided
10 on Schedule LSM-2, Page 2. As described above, that figure has been adjusted in
11 order to arrive at the figure for collection beginning May 1, 2009. Details for costs
12 for the period February 2008 through January 2009 are provided on Page 3 and
13 revenue is detailed on Page 4.

14
15 **Q. Have you provided support for the total forecast costs shown on Page 1,**
16 **line 2?**

17 A. The details of forecasted costs for the period May through October 2009 are
18 provided on Schedule LSM-2, Page 5. Line items for the various costs
19 included in default service are shown.

20
21 **Q. How is working capital calculated?**

1 A. For the period May through October 2009, working capital for the Non-G1
2 class is calculated by multiplying the product of Total Non-G1 Class DS
3 Supplier Charges plus GIS Support Payments plus Renewable Energy Credits
4 and the number of days lag divided by 365 days (i.e. the working capital
5 requirement) by the prime rate. This calculation relies on the results of the
6 2008 Default Service and Renewable Energy Credits Lead Lag Study
7 presented by Ms. Tafoya.

8

9 **Q. How much of the proposed rate is the result of RECs?**

10 A. For the Non-G1 class, total RECs for the period May through October 2009 is
11 estimated to be \$736,889. From a retail rate standpoint, for the period, this
12 calculates to be \$0.00179 per kWh ($\$0.00179 \text{ per kWh} = (\$736,889 /$
13 $438,402,564) * (1 + 6.4\%)$).

14

15 **Q. What is the proposed G1 Class DSC?**

16 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable DSC of \$0.06988 per
17 kWh in May 2009, \$0.07213 per kWh in June 2009, and \$0.07982 per kWh in
18 July 2009. There is no fixed option DSC for the G1 class.

19

20 **Q. How do the G1 DSC compare to the current rate?**

21 A. The current DSC, based on a simple three-month average, is \$0.09923 per kWh.
22 The proposed rate, based on a simple three-month average, is \$0.07394 per kWh.

1 This is a decrease of \$0.02529 per kWh, on average, from the current rate. The
2 decrease reflects current market prices.

3
4 **Q. Please describe the calculation of the G1 class DSC.**

5 A. The rate calculations for the Variable DSC are provided on Schedule LSM-3,
6 Page 1. The Variable Charge is calculated by dividing the costs for each month,
7 including a partial reconciliation of costs and revenues through January 31, 2009,
8 by the estimated G1 kWh purchases for the corresponding month. An estimated
9 loss factor of 4.591% is then added to arrive at the proposed retail Variable
10 Charges.

11
12 Similar to the Non-G1 balance, the G1 class reconciliation balance as of January
13 31, 2009 was adjusted in order to determine the reconciliation amount for this
14 filing. These adjustments are also provided on Page 1.

15
16 **Q. Have you provided details on the reconciliation?**

17 A. Support for the January 31, 2009 G1 class reconciliation balance is provided on
18 Schedule LSM-3, Page 2. As described above, that figure has been adjusted in
19 order to arrive at the figure for collection beginning May 1, 2009. Details for
20 costs for the period February 2008 through January 2009 are provided on Page 3
21 and revenue is detailed on Page 4.

22

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

3 A. The details of forecasted costs for the period May 2009 through July 2009 are
4 provided on Schedule LSM-3, Page 5. Line items for the various costs
5 included in default service are shown and include: Total G1 Class DS Supplier
6 Charges, GIS Support Payments, Renewable Energy Credits (“RECs”),
7 Supply Related Working Capital, Provision for Uncollected Accounts,
8 Internal Company Administrative Costs, Legal Charges, and Consulting
9 Outside Service Charges. Working capital is calculated in a similar manner as
10 that described for the Non-G1 Class.

11
12 **Q. How much of the proposed rate is the result of RECs?**

13 A. For the G1 class, total RECs for the period May through July 2009 is
14 estimated to be \$41,236. From a retail rate standpoint, for the period, this
15 calculates to be \$0.00176 per kWh ($\$0.00176 \text{ per kWh} = (\$41,236 /$
16 $24,533,076) * (1 + 4.591\%)$).

17
18 **IV. BILL IMPACTS**

19 **Q. Have you included any bill impacts associated with the proposed rate**
20 **changes?**

21 A. Typical bill impacts as a result of changes to the DSC and base rates have been
22 provided in Schedule LSM-4.

1

2 Pages 1 through 3 provide a table comparing the existing rates to the proposed
3 rates for all the rate classes. These pages also show the impact on a typical bill
4 for each class in order to identify the effect of each rate component on a typical
5 bill.

6

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

9

10 Page 5 provides the overall average class bill impacts as a result of changes to the
11 DSC. As shown, for customers on Default Service, the residential class will
12 decrease about 15.1%, general service will decrease about 15.4%, large general
13 service will decrease about 17.8% and outdoor lighting will decrease about 9.6%.

14

15 Pages 6 through 11 of Schedule LSM-5 provide typical bill impacts for all classes
16 for a range of usage levels.

17

18

19 **V. CONCLUSION**

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

21 **A. Yes, it does.**