

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 09-009

June 12, 2009

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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 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 **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' G1 Large General Service Class Default Service Charge ("DSC") effective
3 August 1, 2009. I will also discuss changes to UES' Default Service tariff in
4 order to create a separate reconciliation factor for the Renewable Portfolio
5 Standard.

6
7 **Q. Is UES proposing any other rate changes for effect August 1?**

8 A. Yes. On June 17th, UES intends to submit to the Commission its Annual
9 Reconciliation and Rate Filing. In that filing, UES will propose changes to its
10 Stranded Cost Charge ("SCC") and External Delivery Charge ("EDC"). In order
11 to isolate the impact of changes to the G1 Class DSC, the typical bill comparisons
12 provided in Schedule LSM-5 exclude any impacts resulting from changes to the
13 SCC and EDC.

14
15 **III. RETAIL RATE CALCULATIONS**

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

17 A. Schedule LSM-1, Page 1, shows the proposed G1 Variable DSC of \$0.07184 per
18 kWh in August 2009, \$0.07017 per kWh in September 2009, and \$0.07423 per
19 kWh in October 2009. There is no fixed option DSC for the G1 class.

20

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

4
5 **Q. Why is UES proposing to separate the DSC into two components?**

6 A. In its Order No. 24,949, the Commission directed UES to include in its next
7 default service filing a separate reconciliation mechanism that tracks RPS costs
8 and revenues. In order to reconcile RPS separately from the other default service
9 costs, a unique rate needed to be created in order to identify revenue. As
10 described in UES' proposed Default Service tariff, Schedule LSM-1, Page 3, the
11 RPS Charge is designed to recover the costs associated with complying with the
12 Renewable Portfolio Standard. All other default service costs, consisting
13 primarily of wholesale supplier charges, will be recovered through the Power
14 Supply Charge.

15
16 **Q. What is the proposed Power Supply Charge and RPS Charge?**

17 A. Schedule LSM-1, Page 1, shows the proposed G1 Variable Power Supply Charges
18 of \$0.06986 per kWh in August 2009, \$0.06819 per kWh in September 2009, and
19 \$0.07225 per kWh in October 2009.

20
21 Also shown on Schedule LSM-1, Page 1, is the proposed G1 Variable RPS
22 Charge of \$0.00198 per kWh in August 2009, September 2009, and October

2009. As stated above, the total proposed default service charges are \$0.07184, \$0.07017, and \$0.07423 per kWh in August, September, and October 2009, respectively, which are the sum of the Power Supply and the RPS Charges for each month.

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

A. The current DSC, based on a simple three-month average, is \$0.07394 per kWh. The proposed rate, based on a simple three-month average, is \$0.07208 per kWh. This is a decrease of \$0.00186 per kWh, on average, from the current rate. The decrease reflects current market prices.

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

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

The Variable Charge is calculated by dividing the costs for each month, including a partial reconciliation of costs and revenues through January 31, 2008¹, by the

¹ In its March 13, 2009 filing, UES provided the G1 Class reconciliation balance as of January 31, 2009, as adjusted, in the amount of \$431,605. UES apportioned this balance based on

1 estimated G1 kWh purchases for the corresponding month. An estimated loss
2 factor of 4.591% is then added to arrive at the proposed retail Variable Charges.
3

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

6 A. The details of forecasted costs included in the Power Supply Charge for the
7 period August through October 2009 are provided on Schedule LSM-2, Page
8 2. Line items for the various costs included in default service are shown and
9 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply
10 Related Working Capital, Provision for Uncollected Accounts, Internal
11 Company Administrative Costs, Legal Charges, and Consulting Outside
12 Service Charges.
13

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

16 A. The details of forecasted costs included in the RPS Charge for the period
17 August through October 2009 are provided on Schedule LSM-3, Page 2.

kWh over the twelve month period May 2009 through April 2010 as follows: \$106,040 in May-July 2009, \$115,111 in August-October 2009, \$106,227 in November 2009-January 2010, and \$104,227 in February-April 2010. As shown on Schedule LSM-2, Page 1, the reconciliation amount used in this filing is \$115,111. As the RPS Charge is a new reconciliation mechanism, there is a \$0 reconciliation balance, as provided on Schedule LSM-3, Page 1.

1 Costs include Renewable Energy Credits ("RECs") and the associated
2 Working Capital.

3
4 **Q. How is working capital calculated?**

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

11
12 The calculation of working capital for RECs is included in the RPS Charge
13 and is shown on Schedule LSM-3, Page 2. It is calculated by multiplying the
14 product of RECs and the number of days lead divided by 365 days (i.e. the
15 working capital requirement) by the prime rate.

16
17 The calculation of working capital included in the Power Supply Charge and
18 the RPS Charge both rely on the results of the 2008 Default Service and
19 Renewable Energy Credits Lead Lag Study of 4.29 days.

20
21 **Q. While the focus of this filing in on UES' G1 Class power supply**
22 **agreement and associated retail rates, is the Company also proposing to**

1 **begin a separate reconciliation for the Non-G1 class RPS costs and**
2 **revenues?**

3 A. Yes. In order to begin the separate RPS Charge reconciliation at the same
4 time for both the G1 and Non-G1 classes, UES is proposing to split its
5 currently approved Non-G1 Class Default Service Charges into a Power
6 Supply Charge and RPS Charge. Details of this calculation are provided on
7 Schedules LSM-4 and 5.

8
9 Page 1 of Schedule LSM-4 shows the calculation of the Non-G1 Class Power
10 Supply Charge for the period May through October 2009. Details of the costs
11 shown on Page 1, Line 2 are provided on Page 2.

12
13 Page 1 of Schedule LSM-5 shows the calculation of the Non-G1 Class RPS
14 Charge for the period May through October 2009. Details of the costs shown
15 on Page 1, Line 2 are provided on Page 2.

16
17 The separation of the Non-G1 class default service charges was done in the
18 same manner as that for the G1 class. All figures provided on Schedules
19 LSM-4 and 5 are identical to those filed in UES' March 13, 2009 DS filing
20 and approved in Order No. 24,949. As shown on Schedule LSM-1, Page 2,
21 the Power Supply Charge and the RPS Charge sum to the total Default
22 Service Charge which are currently in effect.

1

2 **Q. When is UES proposing to implement the Non-G1 Power Supply Charge and**
3 **RPS Charge?**

4 A. While the Non-G1 class default service charges shown on Schedule LSM-1,
5 Page 2, are effective for the period beginning May 1, 2009, UES proposes to
6 begin separately tracking the two rate components of default service on
7 August 1, the same date as the G1 Class. This change does not impact
8 customers' bills, as the total Default Service Charge is the same, but
9 implementation of the two rate components in the billing system is necessary
10 in order to separately track associated revenue. Alternatively, the separation
11 of the default service charge into a power supply charge and RPS charge
12 could be made for both classes beginning November 1, 2009, the date of UES'
13 next combined Non-G1 and G1 Default Service filing. UES prefers that the
14 separation of the default service charge into two components be made at the
15 same time for both classes, however.

16

17 **IV. BILL IMPACTS**

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

20 A. Schedule LSM-6 provides typical bill impacts as a result of changes to the G1
21 Class DSC. Page 1 provides a table comparing existing rates to the proposed
22 rates for the G1 class, as well as the impact on a G1 class typical bill. As shown,

1 G1 class customers who do not choose a competitive supplier will see decreases
2 of approximately 1.6 percent. Page 2 of Schedule LSM-6 provides the typical bill
3 impacts for the G1 class for a range of usage levels. These impact analyses are
4 based upon the simple three-month average DSC.

5
6 **V. CONCLUSION**

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

8 **A.** Yes, it does.