

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF  
LINDA S. MCNAMARA**

**New Hampshire Public Utilities Commission**

**Docket No. DE 10-028**

**March 12, 2010**

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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

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, 2010, 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 \$0.08489 per kWh for the Non-G1 Class for the period May 1, 2010 through  
15 October 31, 2010. The proposed Non-G1 Variable DSC for this same period is  
16 also shown on this page. The proposed Non-G1 class Fixed DSC has also been  
17 incorporated into the Summary of Low-Income Electric Assistance Program  
18 Discounts, shown on Page 3 of Schedule LSM-1.

19

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

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

2 A. For the period May 1, 2010 through October 31, 2010, the proposed Non-G1  
3 Fixed Power Supply Charge is \$0.08286 per kWh and the proposed Non-G1  
4 Fixed RPS Charge is \$0.00203. Both of these figures, as well as the variable  
5 amounts for the same period, are shown on Schedule LSM-1, Page 1.

6

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

8 A. The Non-G1 Fixed DSC of \$0.08489 per kWh is a decrease of \$0.00548 per kWh  
9 from the current DSC of \$0.09037 per kWh. This decrease reflects lower contract  
10 costs for the period May 1, 2010 through October 31, 2010 compared to the  
11 contract costs for the current period November 1, 2009 through April 30, 2010.

12

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

14 A. The rate calculations for the Non-G1 class Power Supply Charges, Fixed and  
15 Variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the  
16 Non-G1 class RPS Charges, Fixed and Variable, are provided on Schedule LSM-  
17 3, Page 1. Both charges are calculated in the same manner.

18

19 The Variable Charge is calculated by dividing the total costs for the month,  
20 including a partial reconciliation of costs and revenues through January 31, 2010,  
21 by the estimated monthly Non-G1 kWh purchases. An estimated loss factor of  
22 6.4% is then added to arrive at the proposed retail Variable Charges. The Fixed

1 Charge is calculated in a similar manner, except that the calculation is based on  
2 totals for the entire six month period.

3

4 In order to determine the reconciliation amounts included in both the Non-G1  
5 class power supply and Non-G1 class RPS, the reconciliation balance as of  
6 January 31, 2010 was adjusted to account for RPS. The Non-G1 class power  
7 supply reconciliation balance also includes an adjustment to recognize that the  
8 current power supply charges, in effect through April 30, 2010, include a credit  
9 for the overcollection as of January 31, 2009. The current Non-G1 class RPS  
10 charges include no over- or undercollection.

11

12 Since UES reconciles its costs on an annual basis, only a portion of the total  
13 balance is reflected in the rate. UES apportioned the Power Supply balance and  
14 the RPS balance based on kWh over the twelve month period May 2010 through  
15 April 2011. This calculation is provided on Page 1 of Schedule LSM-2 for Power  
16 Supply and Page 1 of Schedule LSM-3 for RPS.

17

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

19 A. This adjustment recognizes that UES has included RPS costs in its rates since  
20 January 1, 2009. However, these costs have not yet been paid but are being  
21 accrued. In order to prevent refunding these amounts, UES has added the  
22 amounts it has already collected in rates to the reconciliation balance. This

1 method ensures that customers are appropriately compensated through the interest  
2 calculation, which reflects that these costs have not yet been paid.

3

4 **Q. If UES recovers its RPS costs through its RPS charge, why does the Power  
5 Supply mechanism include an adjustment for RPS?**

6 A. For the period January through July 2009, UES had one Non-G1 class default  
7 service reconciliation model. Effective August 1, 2009, a separate RPS rate and  
8 reconciliation mechanism was developed. Default service revenue collected for  
9 the period January through July 2009, however, included the recovery of costs  
10 associated with RPS, and this revenue remained in the default service model  
11 which became, on August 1, the Power Supply mechanism. In order to match  
12 actual 2009 RPS expense, all of which is included in the RPS mechanism, with  
13 2009 RPS revenue, UES intends to move \$914,358 out of the Power Supply  
14 mechanism and into the RPS mechanism<sup>1</sup>.

15

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

17 A. Support for the January 31, 2010 Non-G1 class power supply reconciliation  
18 balance is provided on Schedule LSM-2, Page 2. Support for the January 31,  
19 2010 Non-G1 class RPS reconciliation balance is provided on Schedule LSM-3,  
20 Page 2. As described above, those figures have been adjusted in order to arrive at

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<sup>1</sup> UES plans to make this adjustment with its March 2010 accounting close.

1 the figures for collecton beginning May 1, 2010. Details for costs for the period  
2 February 2009 through January 2010 are provided on Page 3 of Schedule LSM-2  
3 and 3. Page 4 of Schedule LSM-2 and 3 provide detail of revenue.

4

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

7 A. The details of forecasted costs for the period May through October 2010 are  
8 provided on Schedule LSM-2, Page 5. Line items for the various costs  
9 included in default service are shown and include: Total Non-G1 Class DS  
10 Supplier Charges, GIS Support Payments, Supply Related Working Capital,  
11 Provision for Uncollected Accounts, Internal Company Administrative Costs,  
12 Legal Charges, and Consulting Outside 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 for the period May through October 2010 are  
17 provided on Schedule LSM-3, Page 5. Costs include Renewable Energy  
18 Credits (“RECs”) and the associated working capital.

19

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

21 A. Working capital included in the Power Supply Charge equals the sum of  
22 working capital for Total Non-G1 Class DS Supplier Charges plus GIS

1 Support Payments, as shown on Schedule LSM-2, Page 5. It is calculated by  
2 multiplying the product of Total Non-G1 Class DS Supplier Charges plus GIS  
3 Support Payments and the number of days lag divided by 365 days (i.e. the  
4 working capital requirement) by the prime rate.

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

10

11 The calculation of working capital included in the Power Supply Charge and  
12 the RPS Charge both rely on the results of the 2009 Default Service and  
13 Renewable Energy Credits Lead Lag Study, presented by Mr. Chong. The  
14 Non-G1 class Power Supply Charge working capital calculation uses 15.90  
15 days and the Non-G1 class RPS Charge working capital calculation uses  
16 (301.67) days.

17

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

19 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable DSC of \$0.07149 per  
20 kWh in May 2010, \$0.06911 per kWh in June 2010, and \$0.07137 per kWh in  
21 July 2010. There is no fixed option DSC for the G1 class.

22

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

4

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

6 A. Schedule LSM-1, Page 2, shows the proposed G1 Variable Power Supply Charges  
7 of \$0.06909 per kWh in May 2010, \$0.06671 per kWh in June 2010, and  
8 \$0.06897 per kWh in July 2010.

9

10 Also shown on Schedule LSM-1, Page 2, is the proposed G1 Variable RPS  
11 Charge of \$0.00240 per kWh in May, June and July 2010.

12

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

14 A. The current DSC, based on a simple three-month average, is \$0.08812 per kWh.  
15 The proposed rate, based on a simple three-month average, is \$0.07066 per kWh.  
16 This is a decrease of \$0.01746 per kWh, on average, from the current rate. The  
17 decrease reflects current market prices.

18

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

20 A. The rate calculations for the Variable Power Supply Charges are provided on  
21 Schedule LSM-4, Page 1. The rate calculations for the Variable RPS Charges are

1 provided on Schedule LSM-5, Page 1. Both charges are calculated in the same  
2 manner.

3  
4 The Variable Charge is calculated by dividing the costs for each month, including  
5 a partial reconciliation of costs and revenues through January 31, 2010, by the  
6 estimated G1 kWh purchases for the corresponding month. An estimated loss  
7 factor of 4.591% is then added to arrive at the proposed retail Variable Charges.

8  
9 Similar to the Non-G1 power supply and RPS balances, the G1 class power  
10 supply and RPS reconciliation balances as of January 31, 2010 were adjusted in  
11 order to determine the reconciliation amount for this filing. These adjustments are  
12 also provided on Page 1 of Schedule LSM-4 and 5. Also similar to the Non-G1  
13 class, UES intends to move \$100,577 of RPS cost recovery out of power supply  
14 and into RPS.

15

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

17 A. Support for the January 31, 2010 G1 class power supply reconciliation balance is  
18 provided on Schedule LSM-4, Page 2. Support for the January 31, 2010 G1 class  
19 RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As described  
20 above, those figures have been adjusted in order to arrive at the figures for  
21 collection beginning May 1, 2010. Details for costs for the period February 2009

1 through January 2010 are provided on Page 3 of Schedule LSM-4 and 5. Page 4  
2 of Schedule LSM-4 and 5 provide detail of revenue.

3

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

6 A. The details of forecasted costs included in the Power Supply Charge for the  
7 period May through July 2010 are provided on Schedule LSM-4, Page 5.  
8 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-5?**

16 A. The details of forecasted costs included in the RPS Charge for the period May  
17 through July 2010 are provided on Schedule LSM-5, Page 5. Costs include  
18 Renewable Energy Credits (“RECs”) and the associated Working Capital.

19

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

21 A. Working capital included in the Power Supply Charge equals the sum of  
22 working capital for Total G1 Class DS Supplier Charges plus GIS Support

1           Payments, as shown on Schedule LSM-4, Page 5. It is calculated by  
2           multiplying the product of Total G1 Class DS Supplier Charges plus GIS  
3           Support Payments and the number of days lag divided by 365 days (i.e. the  
4           working capital requirement) by the prime rate.

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

10

11           The calculation of working capital included in the Power Supply Charge and  
12           the RPS Charge both rely on the results of the 2009 Default Service and  
13           Renewable Energy Credits Lead Lag Study. The G1 class Power Supply  
14           Charge working capital calculation uses 13.72 days and the G1 class RPS  
15           Charge working capital calculation uses (297.66) days.

16

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 have been provided in  
22   Schedule LSM-6.

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 3.7%, general service will decrease about 3.8%, large general  
13 service will decrease about 13.8% and outdoor lighting will decrease about 2.2%.

14

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

17

18 **V. CONCLUSION**

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

20 **A.** Yes, it does.