

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
KAREN M. ASBURY**

New Hampshire Public Utilities Commission

Docket No. DE 11-____

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LIST OF SCHEDULES

Schedule KMA-1: Rate Calculation – Adjustment to Storm Recovery Adjustment Factor (“SRAF”)

Schedule KMA-2: Redline Tariff, Schedule SRAF – Draft for Informational Purposes Only

Schedule KMA-3: Class Bill Impacts

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Karen M. Asbury. 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 Director of Regulatory Services 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" or the
10 "Company").

11

12 **Q. Please describe your business and educational background.**

13 A. In 1987, I graduated *magna cum laude* from the University of New Hampshire
14 with a Bachelor of Science Degree in Mathematics. I joined USC in January
15 1988 and have held various positions in the regulatory/rate department. In my
16 current position, I am responsible for directing regulatory filings, pricing research,
17 analysis, and design, tariff administration, revenue requirements and cost of
18 service calculations, customer research, and other analytical services.

19

20 **Q. Have you previously testified before the New Hampshire Public Utilities**
21 **Commission ("Commission")?**

1 A. Yes. I have testified on numerous occasions before the Commission. I have also
2 testified before the Massachusetts Department of Public Utilities and participated
3 in the preparation of filings for the Federal Energy Regulatory Commission.
4

5 **II. PURPOSE OF TESTIMONY**

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

7 A. The purpose of my testimony is present UES' proposal to increase its Storm
8 Recovery Adjustment Factor ("SRAF") effective May 1, 2012 to recover the costs
9 associated with Tropical Storm Irene, which occurred in August 2011, and the
10 Snow Storm, which occurred in October 2011.
11

12 **Q. Is UES presenting any other witnesses in this filing?**

13 A. Yes. UES is presenting Mr. Richard L. Francazio, Director of Emergency
14 Management and Compliance for USC and Mr. Laurence M. Brock, Vice
15 President and Controller of USC. Mr. Francazio will describe these two storms,
16 the damage the storms caused to the distribution infrastructure of UES, and UES'
17 planning, restoration and recovery efforts. Mr. Brock will describe the costs of
18 these storms for which UES is seeking recovery through its SRAF.
19

20 **III. COST RECOVERY PROPOSAL**

21 **Q. What is UES' proposal?**

1 A. UES seeks recovery of Irene and October Snow Storm costs through an
2 adjustment to its SRAF effective May 1, 2012. UES proposes to recover these
3 costs over a three year period with carrying charges calculated at the Company's
4 overall cost of capital.

5

6 **Q. Did UES consider adding these costs to its Storm Reserve that was approved**
7 **in DE 10-555, UES Rate Case?**

8 A. Yes. However, the Storm Reserve was not designed to include low frequency
9 storms that are extraordinary in magnitude, such as these two storms. If these
10 costs, which are estimated to be \$5.6 million, were added to the reserve, the
11 reserve would be in a significant deficit. With a deficit of \$5.6 million, it would
12 take 14 years to bring the storm fund back to zero. The reserve that was
13 established in DE 10-055 in the amount of \$ 400,000 annually, was set at level to
14 deal with more frequent major storms.

15

16 **Q. Why does UES propose to recover these costs over three years?**

17 A. Due to the significant level of costs, UES is proposing to spread recovery over
18 three years which reduces bill impacts. Bill impact amounts are discussed later in
19 my testimony.

20

21 **Q. Why does UES propose to include carrying charges at the Company's cost of**
22 **capital?**

1 A. The Company proposes to include carrying charges at its cost of capital because
2 these costs are not recovered concurrently in rates and are thus supported by the
3 Company's long term capital.
4

5 **Q. What is the proposed adjustment to the SRAF?**

6 A. At this time, the proposed adjustment is an estimate based on the estimated costs
7 of \$5.6 million, which are discussed by Mr. Brock. The Company will update
8 this estimate to reflect actual costs once they are known. As shown on Schedule
9 KMA-1, Page 1 of 3, the adjustment to the SRAF is estimated to be \$0.00174 per
10 kWh. This adjustment would be added to the current rate of \$0.00096 per kWh,
11 resulting in a total SRAF of \$0.00270 per kWh.
12

13 **Q. What costs are being recovered through the current SRAF?**

14 A. The costs of the December 2008 ice storm and February 2010 wind storm are
15 being recovered through the current SRAF.
16

17 **Q. Will the Company track the account balance of these prior storms separate
18 from the account balance of the two storms in 2011?**

19 A. Yes. The recoveries made through the SRAF will be allocated to the prior storms
20 and the 2011 storms based on the proportion of the rate. (i.e. $\$0.00096/\0.00270
21 or 35.6% will be charged against the costs from the prior storms and $\$0.00174/\0.00270
22 or 64.4% will be charged against the costs from the 2011 storms).

1

2 **Q. Please describe Schedule KMA-1.**

3 A. Page 1 of Schedule KMA-1 shows the calculation of the rate based on an annual
4 levelized cost divided by actual kWh sales for the most recent 12 month period
5 ending October 31, 2011. Page 2 shows the costs, including carrying charges,
6 recovered on a levelized basis over a period of three years beginning May 1,
7 2012. Page 3 shows the calculation of the beginning balance, including carrying
8 charges, to be recovered. Although the number of years of cost recovery and
9 carrying charge rate is different than that reflected in the current SRAF, the
10 methodology for calculating the rate is the same.

11

12 **Q. Will the reconciliation of costs and revenues be performed on a monthly**
13 **basis?**

14 A. Yes. As discussed above, the Company will apply an allocated portion of actual
15 revenue from the SRAF to the May 1, 2012 balance. The rate adjustment shall be
16 set at \$0.00174 per kWh until the costs have been fully recovered. Carrying
17 charges will be calculated monthly based on the average monthly account
18 balance.

19

20 **Q. Has UES filed any tariff changes associated with this proposal?**

21 A. A redline version of UES' tariff, Schedule SRAF, is provided as Schedule KMA-
22 2. This tariff page is being filed for informational purposes at this time since the

1 amounts reflect estimates. The Company will file a final Schedule SRAF in a
2 compliance filing as directed by the Commission. The SRAF would also need to
3 be updated in the Company's Summary of Delivery Service Rates tariff page if
4 approved.

5

6 **IV. BILL IMPACTS**

7 **Q. What is the bill impact of this proposed rate change?**

8 A. Based on the estimated increase to the SRAF of \$0.000174 per kWh, a residential
9 customer on Default Service using 600 kWh will see a bill increase of \$1.04 or
10 1.2%. Schedule KMA-3 provides typical bill impacts for all classes for a range
11 of usage levels.

12

13 **V. CONCLUSION**

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

15 A. Yes, it does.