

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 16-250

April 1, 2016

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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, 2016, 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, 2016?**

6 A. Yes. Schedule LSM-1, Pages 5 and 6, provides the Summary of Low-Income
7 Electric Assistance Program Discounts, incorporating the proposed June 1 Non-
8 G1 (Residential) DSC.
9

10 **III. RETAIL RATE CALCULATIONS**

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

12 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
13 G1 DSC is \$0.05978 (or 5.978¢) per kWh and the proposed G2 and Outdoor
14 Lighting ("OL") Class fixed Non-G1 DSC is \$0.05860 (or 5.860¢) per kWh for
15 the period June 1, 2016 through November 30, 2016. The proposed Residential
16 Class variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1
17 DSC for this same period are also shown on this page.
18

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

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

1 A. For the period June 1, 2016 through November 30, 2016, the proposed Residential
2 Class fixed Non-G1 Power Supply Charge is \$0.05760 (or 5.760¢) per kWh, the
3 proposed G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.05642 (or
4 5.642¢) per kWh, and the proposed fixed Non-G1 RPS Charge is \$0.00218 (or
5 0.218¢) per kWh. These figures, as well as the variable amounts for the same
6 period, are shown on Schedule LSM-1, Page 1.

7
8 **Q. How do the Non-G1 fixed DSC rates compare to the current rate?**

9 A. The proposed Residential Class fixed Non-G1 DSC of \$0.05978 (or 5.978¢) per
10 kWh is a decrease of \$0.03431 (or 3.431¢) per kWh from the current DSC of
11 \$0.09409 (or 9.409¢) per kWh. The proposed G2 and OL Class fixed Non-G1
12 DSC of \$0.05860 (or 5.860¢) per kWh is a decrease of \$0.03271 (or 3.271¢) per
13 kWh from the current DSC of \$0.09131 (or 9.131¢) per kWh. These decreases
14 reflect lower contract costs for the period June 1, 2016 through November 30,
15 2016 compared to the contract costs for the current period December 1, 2015
16 through May 31, 2016.

17
18 **Q. Please describe the calculation of the Non-G1 class DSC.**

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

23

1 Variable pricing is calculated by dividing the total costs for the month, including a
2 partial reconciliation of costs and revenues through February 29, 2016, by the
3 estimated monthly kWh purchases for the Residential Class and the G2 and OL
4 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed
5 retail variable charges. Fixed pricing is calculated in a similar manner, except
6 that the calculation is based on each class's total for the entire six month period.

7

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

10 A. In order to determine the reconciliation amount included in the Non-G1 class
11 power supply charge, the reconciliation balance as of February 29, 2016 was
12 adjusted to recognize that estimated revenue in March, April, and May 2016
13 should exceed costs for this same period by an estimated \$2,368,917. This
14 adjustment recognizes that estimated costs for March, April and May 2016 are
15 below the average cost for the entire period, December 2015-May 2016, while
16 revenue will be primarily based on the fixed Power Supply Charge, of which most
17 Non-G1 customers pay, and is determined using an average of costs for the entire
18 December 2015-May 2016 period. This adjustment brings the February 29, 2016
19 balance from \$4,400,619 to \$2,031,702.

20

21 In order to determine the reconciliation amounts included in the Non-G1 class
22 RPS, the reconciliation balance as of February 29, 2016 was adjusted to account
23 for an estimate of RECs yet to be purchased. The Non-G1 class RPS

1 reconciliation balance also includes an adjustment to recognize that the current
2 RPS charges, in effect through May 31, 2016, include a credit for the
3 overcollection as of February 28, 2015.

4

5 Since UES reconciles its costs on an annual basis, only a portion of the total
6 reconciliation balances are reflected in the proposed Power Supply and RPS rates.
7 UES apportioned the Power Supply balance and the RPS balance based on kWh
8 over the twelve month period June 2016 through May 2017. The Power Supply
9 reconciliation balance is further divided between the Residential Class and the
10 G2/OL Class, based on kWh. This calculation is provided on Page 1 of Schedule
11 LSM-2 for Power Supply and Page 1 of Schedule LSM-3 for RPS.

12

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

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

21

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

1 A. Support for the February 29, 2016 Non-G1 class power supply reconciliation
2 balance is provided on Schedule LSM-2, Page 2. Support for the February 29,
3 2016 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, 2016. Details for costs for the period
6 March 2015 through February 2016 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 includes in the Total Non-G1 Class DS Supplier Charges, in the
11 Non-G1 Class Power Supply Charge, the amounts credited to, or paid to, small
12 customer generator net metering customers with an excess of 600 kWh banked at
13 the end of the March billing cycle who opt to be credited or paid in accordance
14 with the PUC 900 rules. In addition, UES includes any monthly amounts credited
15 to, or paid to, large customer generators or group net metering customers in
16 accordance with PUC 900. For the period March 2015 through February 2016,
17 these amounts totaled \$9,607.97.

18

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

21 A. The details of forecasted costs for the period June through November 2016 are
22 provided on Schedule LSM-2, Page 5. Line items for the various costs
23 included in default service are shown and include: Non-G1 Class (Residential)

1 DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier Charges, GIS
2 Support Payments, Supply Related Working Capital, Provision for
3 Uncollected Accounts, Internal Company Administrative Costs, Legal
4 Charges, Consulting Outside Service Charges, and the default service portion
5 of the annual PUC Assessment allocated to the Non-G1 Class.
6

7 **Q. Do the proposed rates include the adjustment to recover default service**
8 **related costs associated with the customer billing adjustment in DE 11-**
9 **105?**

10 **A.** No, they do not. Recovery of those costs was completed in November 2015,
11 and therefore this default service billing adjustment is no longer a component
12 of rates. Schedule LSM-2, Page 6 has been included to show the final \$0
13 balance of this adjustment.
14

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

17 **A.** The details of forecasted costs for the period June through November 2016 are
18 provided on Schedule LSM-3, Page 5. Costs include RECs and the associated
19 working capital.
20

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

22 **A.** Working capital included in the Power Supply Charge equals the sum of
23 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus

1 Non-G1 Class (G2 and OL) DS Supplier Charges¹, plus GIS Support
2 Payments, as shown on Schedule LSM-2, Pages 3 and 5. It is calculated by
3 taking the product of Non-G1 Class (Residential) DS Supplier Charges plus
4 Non-G1 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments
5 and the number of days lag divided by 365 days (i.e. the working capital
6 requirement) and multiplying it by the prime rate.

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

12
13 The calculation of working capital included in the Power Supply Charge and
14 the RPS Charge for the period beginning June 1, 2016 both rely on the results
15 of the 2015 Default Service and Renewable Energy Credits Lead Lag Study,
16 presented by Mr. Nawazelski. The Non-G1 class Power Supply Charge
17 working capital calculation uses 26.41 days and the Non-G1 class RPS Charge
18 working capital calculation uses (258.18) days.

19

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

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

1 A. The proposed G1 class DSC are comprised of two components, as shown on
2 Schedule LSM-1, Page 3: A Power Supply Charge and a Renewable Portfolio
3 Standard (“RPS”) Charge. The wholesale supplier charge included in the Power
4 Supply Charge will be determined each month based on the sum of fixed monthly
5 adders and variable energy prices, and therefore, the total DSC for the G1 class is
6 not known at this time.

7
8 **Q. What is the proposed Power Supply Charge, exclusive of supplier charges,**
9 **and RPS Charge?**

10 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
11 excluding the supplier charge component, of (\$0.00356) (or (0.356¢)) per kWh in
12 June through November 2016. The wholesale supply charge determined each
13 month will be added to this amount to yield the monthly G1 class Power Supply
14 Charge.

15
16 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
17 \$0.00462 (or 0.462¢) per kWh in June through November 2016.

18
19 **Q. Have you prepared a comparison of the proposed G1 DSC to the current**
20 **rate?**

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

23

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

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

6
7 Each charge is calculated by dividing the costs for each month, including a partial
8 reconciliation of costs and revenues through February 29, 2016, by the estimated
9 G1 kWh purchases for the corresponding month. An estimated loss factor of
10 4.591% is then added to arrive at the proposed retail charges.

11
12 Similar to the Non-G1 power supply and RPS balances, the G1 class power
13 supply and RPS reconciliation balances as of February 29, 2016 were adjusted in
14 order to determine the reconciliation amount for this filing. Adjustments were
15 made to reflect that the current DSC include reconciliation of the February 28,
16 2015 power supply and RPS balances, to incorporate the difference between the
17 estimated supplier cost and revenue in March 2016, and to adjust to account for
18 RPS. These adjustments are shown on Page 1 of Schedule LSM-4 and LSM-5.

19

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

21 A. Support for the February 29, 2016 G1 class power supply reconciliation balance is
22 provided on Schedule LSM-4, Page 2. Support for the February 29, 2016 G1
23 class RPS reconciliation balance is provided on Schedule LSM-5, Page 2. As

1 described above, those figures have been adjusted in order to arrive at the figures
2 for collection beginning June 1, 2016. Details for costs for the period March 2015
3 through February 2016 are provided on Page 3 of Schedule LSM-4 and LSM-5.
4 Page 4 of Schedule LSM-4 and LSM-5 provides revenue details.
5

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

8 A. The details of forecasted costs included in the Power Supply Charge for the
9 period June through November 2016 are provided on Schedule LSM-4, Page
10 5. Line items for the various costs included in default service are shown and
11 include: Total G1 Class DS Supplier Charges, GIS Support Payments, Supply
12 Related Working Capital, Provision for Uncollected Accounts, Internal
13 Company Administrative Costs, Legal Charges, Consulting Outside Service
14 Charges, and the default service portion of the annual PUC Assessment
15 allocated to the G1 Class. At the end of each month, UES will determine the
16 supplier charge to be added to the monthly Power Supply Charge.
17

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

20 A. The details of forecasted costs included in the RPS Charge for the period June
21 through November 2016 are provided on Schedule LSM-5, Page 5. Costs
22 include Renewable Energy Credits (“RECs”) and the associated Working
23 Capital.

1

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

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

18

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

23

1 The calculation of working capital included in the Power Supply Charge and
2 the RPS Charge both rely on the results of the 2015 Default Service and
3 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
4 Charge working capital calculation uses (4.87) days and the G1 class RPS
5 Charge working capital calculation uses (278.64) days.

6

7 **IV. BILL IMPACTS**

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

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

13

14 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
15 for the residential and General Service rate classes. These pages also show the
16 impact on a typical bill for each class in order to identify the effect of each rate
17 component on a typical bill.

18

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

21

22 Page 4 provides the overall average class bill impacts as a result of changes to the
23 DSC. As shown, for customers on Default Service, the residential class will

1 decrease by approximately 19.6%, general service will decrease by approximately
2 19.8%, and outdoor lighting will decrease by approximately 10.5%.

3

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

6

7 Pages 10 and 11 provide a table comparing rates in effect in June 2015 to the
8 proposed rates for the residential and General Service rate classes. These pages
9 also show the impact on a typical bill for each class in order to identify the effect
10 of each rate component on a typical bill. Most Non-G1 customers taking fixed
11 default service will see decreases of 3 to 7% compared to last summer, due to the
12 decrease in the DSC.

13

14 **V. CONCLUSION**

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

16 **A.** Yes, it does.