UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No.: DE 09-

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LIST OF SCHEDULES

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Linda S. McNamara. My business address is 6 Liberty Lane West, Hampton, New Hampshire 03842.

Q. For whom do you work and in what capacity?

A. I am a Senior Regulatory Analyst I at Unitil Service Corp. ("USC"), which provides centralized management and administrative services to all Unitil Corporation's affiliates including Unitil Energy Systems, Inc. ("UES").

Q. Please describe your business and educational background.

A. In 1994 I graduated *cum laude* from the University of New Hampshire with a Bachelor of Science Degree in Mathematics. Since joining USC in June 1994, I have been responsible for the preparation of various regulatory filings, price analysis, and tariff changes.

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

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my testimony is to present and explain the proposed changes to UES' Stranded Cost Charge ("SCC") and External Delivery Charge ("EDC"), effective August 1, 2009.

My testimony will focus on the reconciliation and rate development for the SCC and EDC. Mr. Francis X. Wells is sponsoring testimony which addresses the costs associated with each of these charges.

III. SUMMARY OF TESTIMONY

Q. Please summarize your testimony.

A. My testimony will provide support for the revisions to the SCC and EDC for effect August 1, 2009. I will explain the rate development for these mechanisms, review the actual and estimated data included in each rate, describe the proposed tariff revisions, and provide bill impacts for each class.

Q. Is UES proposing any other rate changes for effect August 1, 2009?

A. Yes. On June 12th, UES submitted to the Commission its G1 class Default Service tariff filing in DE 09-009. In that filing, UES proposed Default Service rates for its G1 class based on the winning bids, and proposed changes to its Default Service tariff for effect August 1, 2009. While that proposal is being considered in a separate proceeding before the Commission, the proposed rates have been included in the G1 class typical bill comparisons in order to fully reflect all proposed changes to UES' rates effective August 1, 2009.

IV. STRANDED COST CHARGE

Q. What is the SCC?

A. The SCC is the mechanism by which UES recovers UPC's stranded costs from retail customers. UPC's stranded costs are billed to UES in the form of Contract Release Payments through the Amended System Agreement.

Q. What is UES' proposed SCC?

A. As shown on Schedule LSM-1, Page 1, UES is proposing a SCC of \$0.00495/kWh for its Residential, Regular General Service kWh meter, General Service Quick Recovery Water Heating, Space Heating, and Controlled Off Peak Water Heating, and Outdoor Lighting classes, \$0.00167/kWh and \$0.87/kW for its Regular General Service G2 class, and \$0.00147/kWh and \$1.24/kVa for its Large General Service G1 class. The charges are proposed to become effective August 1, 2009.

Q. How is the SCC calculated?

A. Schedule LSM-1, Page 1 provides the calculation for the SCC for all classes. The rate is calculated in accordance with UES' tariff, Schedule SCC. The class SCC obligations are calculated first based on a uniform per kWh charge, and then applied to each class based on an appropriate rate design. In addition to the energy based SCC, the Regular General Service G2 class and Large General Service G1 class also pay a demand based SCC. In past filings, in order to determine the energy based SCC, the calculated demand revenue was subtracted from the total revenue calculated based on a uniform kWh charge. However, because of the large decrease in the SCC, applying this method resulted in negative energy charges. To avoid negative energy charges, UES used the ratio of demand and energy revenue under current rates to develop the demand and energy components of the SCC for effect August 1, 2009.

Q. How was the uniform per kWh rate for determining class SCC obligations calculated?

A. The uniform SCC is calculated by dividing the prior period (over)/under recovery as of July 31, 2009, plus the forecast of costs for the period August 2009 through July 2010, plus interest for the same period, by calendar month kWh sales for August 2009 through July 2010. This uniform rate is applied equally to all customer classes other than G2 and G1. This calculation is provided on Schedule LSM-1, Page 1.

Q. How does the proposed SCC compare to the rate currently in effect?

A. The uniform rate is decreasing by $0.00387 per kWh. The decrease is primarily due to lower forecasted costs, primarily the expiration of Residual Contract Obligations.

Q. Have you provided a reconciliation of costs and revenues in the SCC?

A. Schedule LSM-1, Page 2, provides the reconciliation of costs and revenues for the two prior periods, May 2007 through April 2008 and May 2008 through July 2009[1], while Page 3 provides the reconciliation for the forecast rate period, August 2009 through July 2010. Actual data is provided for May 2007 through April 2009 and estimated data is provided for the remaining months. This schedule summarizes the costs and revenues associated with stranded costs and provides the computation of interest, which is calculated based on average monthly balances using the prime rate, as described in the tariff. As noted, the May 2008 beginning balance also includes the ending balance in the Transition Service ("TS") Charge Balance which was approved in Order No. 24,851. Details of the TS Charge Balance are provided on Pages 6 through 9 of Schedule LSM-1.

Q. Have you provided detail on the monthly revenues shown on Pages 2 and 3 of Schedule LSM-1?

[1] As discussed in more detail by Mr. Wells, changes to the SCC and EDC are now made for effect August 1 of each year, instead of May 1.

A. Yes, revenue detail is shown on Schedule LSM-1, Page 4 for the period May 2007 through April 2008, May 2008 through July 2009, and August 2009 through July 2010. Actual data is included for May 2007 through April 2009 and the remaining months are forecast.

V. EXTERNAL DELIVERY CHARGE

Q. What is the EDC?

A. The EDC is the mechanism by which UES recovers the costs it incurs associated with providing transmission services outside UES' system and other costs for energy and transmission related services. For costs incurred after May 1, 2006, the costs included in the EDC exclude Default Service related external administrative charges, which have been moved for collection through the DSC, per the Settlement Agreement in DE 05-064 dated August 11, 2005, and approved by the Commission in Order No. 24,511 on September 9, 2005.

Q. What is UES' proposed EDC?

A. Schedule LSM-2, Page 1, provides the proposed EDC of $0.01591/kWh applicable to all classes. This charge is proposed to become effective August 1, 2009.

Q. How is the EDC calculated?

A. The EDC is calculated by summing the prior period (over)/under recovery as of July 31, 2009, plus the estimated EDC costs and associated interest for the period August 2009 through July 2010. The total is divided by estimated calendar month kWh sales for the period August 2009 through July 2010.

Q. How does the proposed EDC compare to the rate currently in effect?

A. The rate has increased by $0.00067 per kWh. This increase is due to increased costs, and is slightly offset due to a decrease in the prior period balance. Mr. Wells' testimony provides further explanation regarding the increased costs in the both the forecasted and current period.

Q. Have you provided a reconciliation of costs and revenues in the EDC?

A. Schedule LSM-2, Page 2, provides the reconciliation of EDC costs and revenues for the two prior periods, May 2007 through April 2008 and May 2008 through July 2009, while Page 3 provides the reconciliation for the forecast rate period, August 2009 through July 2010. Interest is computed on average monthly balances using the prime rate, as described in the tariff. These pages reflect actual data for the period May 2007 through April 2009 and estimated data for the remainder of the period. Detail on monthly revenue is shown on Schedule LSM-2, Pages 4 and 5.

VI. TARIFF CHANGES AND BILL IMPACTS

Q. Has UES included tariff changes to reflect the proposed rate changes for effect August 1, 2009?

A. Schedule LSM-3, Page 1 and 2 are redline tariffs of the SCC and EDC. Please note that these pages are essentially the same as provided in Page 1 of Schedules LSM-1 and 2. Pages 3, 4 and 5 of Schedule LSM-3 are redline tariffs of UES' Summary of Delivery Service Rates and Summary of Low-Income Electric Assistance Program Discounts. The Summary of Delivery Service Rates incorporates the proposed SCC and EDC. Changes to the Summary of Low-Income Electric Assistance Program Discounts were made to calculate the discounts under the proposed rates.

Q. Have you included any bill impacts as a result of proposed rate changes effective August 1, 2009?

A. Yes, rate changes and bill impacts as a result of changes to the SCC, EDC, and the G1 Class DSC have been provided in Schedule LSM-4. Pages 1 through 3 provide a table comparing the existing rates to the proposed rates for all the rate classes. These pages also show the impact on a typical bill for each class in order to identify the effect of each rate component on a typical bill.

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

Page 5 provides the overall average class bill impact as well as the impact associated with both filings. As shown, for customers on Default Service, the residential class average bill will decrease about 2.2%. General Service (G2) average bills will also decrease about 2.2%. Large General Service (G1) average bills will decrease about 4.3%, with 2.7% of this amount due to changes in the SCC and EDC. Outdoor lighting average bills will decrease about 1.3%.

Pages 6 through 11 of Schedule LSM-4 provide typical bill impacts for all classes for a range of usage levels.

VII. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.