

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF
LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No.: DE 11-

June 17, 2011

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LIST OF SCHEDULES

Schedule LSM-1: Stranded Cost Charge

Schedule LSM-2: External Delivery Charge

Schedule LSM-3: Redline Tariffs

Schedule LSM-4: Bill Impacts

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 II 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, price
15 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
2 to UES's Stranded Cost Charge ("SCC") and External Delivery Charge
3 ("EDC"), effective August 1, 2011.

4
5 My testimony will focus on the reconciliation and rate development for the
6 SCC and EDC. Mr. Todd M. Bohan is sponsoring testimony which addresses
7 the costs associated with each of these charges.

8

9 **III. SUMMARY OF TESTIMONY**

10 Q. Please summarize your testimony.

11 A. My testimony will provide support for the revisions to the SCC and EDC for
12 effect August 1, 2011. I will explain the rate development for these
13 mechanisms, review the actual and estimated data included in each rate,
14 describe the proposed tariff revisions, and provide bill impacts for each class.

15

16 Q. Does UES have any other tariff changes pending at this time?

17 A. Yes. UES has filed a proposed Summary of Delivery Service Rates and
18 Summary of Low-Income Electric Assistance Program Discounts, tariff pages
19 4, 5 and 6, in DE 10-192 for effect July 1. The changes filed in that docket
20 reflect the allocation between the energy efficiency portion and the low-
21 income portion of the System Benefits Charge. Changes were also made to
22 include a benefits cap at 700 kWh per month and the reduction of the income

1 eligibility level to 175% of the Federal Poverty Guideline. These proposed
2 changes have no impact on the bill impacts presented in Schedule LSM-4.
3 However, because these tariff pages are still pending, UES has excluded them
4 from this filing and will incorporate the approved SCC and EDC as part of the
5 tariff compliance filing process in order to reflect all approved rates in effect
6 on August 1.

7

8 Q. Does UES have any other pending dockets at this time which could affect this
9 filing?

10 A. Yes. In DE 11-105, UES is seeking Commission approval to make an
11 accounting entry to its EDC and SCC mechanisms that would remove the
12 overpayment of EDC and SCC revenue as a result of a billing error for one of
13 its G1 customers. UES has excluded any adjustment from this filing pending
14 Commission approval.

15

16 UES has already refunded a portion of the overpayment to the customer. This
17 refund includes \$65,198 related to the EDC and \$20,548 related to the SCC.

18 Based on these amounts, the EDC and SCC would increase by approximately
19 \$0.00007 per kWh in total, or \$0.04 for a residential customer using 600 kWh
20 per month.

21

22 **IV. STRANDED COST CHARGE**

1 Q. What is the SCC?

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

5

6 Q. What is UES's proposed SCC?

7 A. As shown on Schedule LSM-1, Page 1, UES is proposing a SCC of
8 (\$0.00004)/kWh for its Residential, Regular General Service kWh meter,
9 General Service Quick Recovery Water Heating, Space Heating, and
10 Controlled Off Peak Water Heating, and Outdoor Lighting classes,
11 (\$0.00001)/kWh and (\$0.01)/kW for its Regular General Service G2 class,
12 and (\$0.00001)/kWh and (\$0.01)/kVa for its Large General Service G1 class.
13 The rates are proposed to become effective August 1, 2011.

14

15 Q. How is the SCC calculated?

16 A. Schedule LSM-1, Page 1 provides the calculation for the SCC for all classes.
17 The rate is calculated in accordance with UES's tariff, Schedule SCC. The
18 class SCC obligations are calculated first based on a uniform per kWh charge,
19 and then applied to each class based on an appropriate rate design. In addition
20 to the energy based SCC, the Regular General Service G2 class and Large
21 General Service G1 class also incur a demand based SCC. For these classes,
22 UES used the ratio of demand and energy revenue under current rates to

1 develop the demand and energy components of the SCC for effect August 1,
2 2011, similar to the method used in last year's filing.

3

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

6 A. The uniform SCC is calculated by dividing the prior period (over)/under
7 recovery as of July 31, 2011, plus the forecast of costs for the period August
8 2011 through July 2012, plus interest for the same period, by calendar month
9 kWh sales for August 2011 through July 2012. This uniform rate is applied
10 equally to all customer classes other than G2 and G1. This calculation is
11 provided on Schedule LSM-1, Page 1. Because the prior period over-recovery
12 as of July 31, 2011 is a larger amount than the estimated forecast of costs for
13 the period August 2011 through July 2012, the proposed SCC for effect
14 August 1, 2011 is a credit.

15

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

17 A. The uniform rate is decreasing by \$0.00142 per kWh. The decrease is
18 primarily due to the expiration of Portfolio Sales Charge.

19

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

21 A. Schedule LSM-1, Page 2, provides the reconciliation of costs and revenues for
22 the two prior periods, August 2009 through July 2010 and August 2010

1 through July 2011, while Page 3 provides the reconciliation for the forecast
2 rate period, August 2011 through July 2012. Actual data is provided for
3 August 2009 through April 2011 and estimated data is provided for the
4 remaining months. This schedule summarizes the costs and revenues
5 associated with stranded costs and provides the computation of interest, which
6 is calculated based on average monthly balances using the prime rate, as
7 described in the tariff.

8

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

11 A. Yes, revenue detail is shown on Schedule LSM-1, Page 4 for the period
12 August 2009 through July 2010, August 2010 through July 2011, and August
13 2011 through July 2012. Actual data is included for August 2009 through
14 April 2011 and the remaining months are forecast.

15

16 **V. EXTERNAL DELIVERY CHARGE**

17 Q. What is the EDC?

18 A. The EDC is the mechanism by which UES recovers the costs it incurs
19 associated with providing transmission services outside UES's system and
20 other costs for energy and transmission related services. External
21 administrative costs associated with UES's Renewable Source Option
22 program are also included in the EDC. For costs incurred after May 1, 2006,

1 the costs included in the EDC exclude Default Service related external
2 administrative charges, which have been moved for collection through the
3 DSC, per the Settlement Agreement in DE 05-064 dated August 11, 2005, and
4 approved by the Commission in Order No. 24,511 on September 9, 2005.
5 Beginning May 1, 2011, as approved in DE 10-055, UES also recovers the
6 Non-Distribution Portion on the annual NHPUC assessment and working
7 capital associated with Other Flow-Through Operating Expenses as part of the
8 EDC.

9

10 Q. What is UES's proposed EDC?

11 A. Schedule LSM-2, Page 1, provides the proposed EDC of \$0.01501/kWh
12 applicable to all classes. This charge is proposed to become effective August
13 1, 2011.

14

15 Q. How is the EDC calculated?

16 A. The EDC is calculated by summing the prior period (over)/under recovery as
17 of July 31, 2011, plus the estimated EDC costs and associated interest for the
18 period August 2011 through July 2012. The total is divided by estimated
19 calendar month kWh sales for the period August 2011 through July 2012.

20

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

1 A. The rate has decreased by \$0.00187 per kWh. This decrease is primarily due
2 to a change in the prior period balance.

3

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

5 A. Schedule LSM-2, Page 2, provides the reconciliation of EDC costs and
6 revenues for the two prior periods, August 2009 through July 2010 and
7 August 2010 through July 2011, while Page 3 provides the reconciliation for
8 the forecast rate period, August 2011 through July 2012. Interest is computed
9 on average monthly balances using the prime rate, as described in the tariff.

10 These pages reflect actual data for the period August 2009 through April 2011
11 and estimated data for the remainder of the period. Detail on monthly revenue
12 is shown on Schedule LSM-2, Pages 4 and 5.

13

14 **VI. TARIFF CHANGES AND BILL IMPACTS**

15 Q. Has UES included tariff changes to reflect the proposed rate changes for effect
16 August 1, 2011?

17 A. Schedule LSM-3, Page 1 and 2 are redline tariffs of the SCC and EDC.
18 Please note that these pages are essentially the same as provided in Page 1 of
19 Schedules LSM-1 and 2. As previously discussed, UES has not included
20 revised tariff Pages 4 and 5, Summary of Delivery Service Rates and Page 6,
21 Summary of Low-Income Electric Assistance Program Discounts at this time

1 and will update these in its compliance filing with all approved rate changes
2 effective August 1, 2011.

3

4 Q. Have you included any bill impacts as a result of proposed rate changes
5 effective August 1, 2011?

6 A. Yes, rate changes and bill impacts as a result of changes to the SCC, EDC,
7 and the G1 Class DSC have been provided in Schedule LSM-4.¹ Pages 1
8 through 3 provide a table comparing the existing rates to the proposed rates
9 for all the rate classes. These pages also show the impact on a typical bill for
10 each class in order to identify the effect of each rate component on a typical
11 bill.

12

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

15

16 Page 5 provides the overall average class bill impact as well as the impact
17 associated with both filings. As shown, for customers on Default Service, the
18 residential class average bill will decrease about 2.3%. General Service (G2)
19 average bills will decrease about 2.4%. Large General Service (G1) average
20 bills will increase about 0.8%. This increase is due to a 3.0% decrease as a

¹ The G1 Class DSC effective August 1 – October 31, 2011 were approved on June 16,
2011 by Order No. 25,236 in DE 11-028.

1 result of changes in the SCC and EDC offset by a 3.8% increase as a result of
2 changes to default service rates. Outdoor lighting average bills will decrease
3 about 1.2%.

4

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

7

8 **VII. CONCLUSION**

9 Q. Does that conclude your testimony?

10 A. Yes, it does.