

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

KAREN M. ASBURY

New Hampshire Public Utilities Commission

Docket No. DE 13-___

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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

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 to present UES's proposal to increase its Storm
8 Recovery Adjustment Factor ("SRAF") effective May 1, 2013 to recover the costs
9 associated with Hurricane Sandy, which occurred in October 2012.
10

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

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

19 **III. COST RECOVERY PROPOSAL**

20 **Q. What is UES's cost recovery proposal?**

21 A. UES seeks recovery of Hurricane Sandy costs through an adjustment to its SRAF
22 effective May 1, 2013. UES proposes to recover these costs over a four year

1 period with carrying charges calculated at annual rate of 4.52 percent (equaling
2 the Company's cost of debt of 7.60 percent, net of deferred taxes). The carrying
3 charge rate of 4.52 percent is the rate allowed for prior major storms currently
4 being recovered through the SRAF.

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 this storm. If these costs,
10 which amount to \$2,310,089, were added to the reserve, the reserve would be in a
11 significant deficit. The reserve that was established in DE 10-055 in the amount
12 of \$ 400,000 annually, was set at a level to deal with more frequent major storms.

13

14 **Q. Why does UES propose to recover these costs over four years?**

15 A. UES proposes to recover these costs over four years since it will coincide with the
16 ending date for recovery of Tropical Storm Irene, which occurred in August
17 2011, and the Snowstorm, which occurred in October 2011, while providing for
18 reasonable bill impacts. Recovery of these two storms through the SRAF began
19 May 1, 2012 and are being recovered over a 5 year period through April 2017 as
20 approved by the Commission in Order No. 25,351 in DE 11-277. In addition,
21 there has been an increasing frequency of these super storms in recent years, and
22 as a result, the level of cost deferrals have continued to climb despite ongoing

1 recovery through the SRAF. A four year recovery period for the Hurricane Sandy
2 costs strikes a balance between a desire to reduce the deferred balance (start to
3 bring down) or at least limit the increase in super storm costs that the Company
4 has been required to defer and finance, with the recovery of these costs from
5 customers over a reasonable timeframe and rate impact.

6

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

8 A. As shown on Schedule KMA-1, Page 1 of 3, the proposed rate adjustment is
9 \$0.00053 per kWh effective May 1, 2013. This adjustment would be added to
10 the current rate of \$0.00178 per kWh, resulting in a total SRAF of \$0.00231 per
11 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 over a period of eight years from May
16 2011 through April 2019. The costs of Tropical Storm Irene and the October
17 2011 Snowstorm are being recovered through the SRAF over a period of five
18 years from May 2012 through April 2017.

19

20 **Q. Will the Company track the account balance of these prior storms separately**
21 **from the account balance of Hurricane Sandy?**

1 A. Yes. The recoveries made through the SRAF will be allocated to the prior storms
2 and Hurricane Sandy based on the proportion of the rate as specified in the
3 Company's tariff, Schedule SRAF (i.e. $\$0.00096/\0.00231 or 41.6% will be
4 charged against the costs from the December 2008 ice storm and February 2010
5 wind storm, $\$0.00082/\0.00231 or 35.5% will be charged against the costs from
6 the two 2011 storms, and $\$0.00053/\0.00231 or 22.9% will be charged against the
7 costs from Hurricane Sandy).

8

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

10 A. Page 1 of Schedule KMA-1 shows the calculation of the rate based on an annual
11 levelized cost divided by actual kWh sales for the 12 month period ending
12 December 31, 2012. Page 2 shows the costs, including carrying charges,
13 recovered on a levelized basis over a period of four years beginning May 1, 2013.
14 Page 3 shows the calculation of the beginning balance, including carrying
15 charges, to be recovered. Although the number of years of cost recovery is
16 different than that reflected in the current SRAF, the methodology for calculating
17 the rate is the same.

18

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

21 A. Yes. As discussed above, the Company will apply an allocated portion of actual
22 revenue from the SRAF to the May 1, 2013 balance. The rate adjustment shall be

1 set at \$0.00053 per kWh until the costs have been fully recovered. Carrying
2 charges will be calculated monthly based on the average monthly account
3 balance.

4

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

6 A. A redline version of UES' tariff, Schedule SRAF, is provided as Schedule KMA-
7 2. The clean version of this tariff is attached to the cover letter of this filing. If
8 approved, the Company would update its SRAF in its Summary of Delivery
9 Service Rates tariff page through a compliance filing.

10

11 **IV. BILL IMPACTS**

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

13 A. Based on the increase to the SRAF of \$0.00053 per kWh, a residential customer
14 on Default Service using 600 kWh will see a bill increase of \$0.32 or 0.4%.
15 Schedule KMA-3 provides typical bill impacts for all classes for a range of usage
16 levels.

17

18 **V. CONCLUSION**

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

20 A. Yes, it does.