

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 14-061

September 26, 2014

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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 December 1, 2014, as reflected
3 in the redline tariffs provided as Schedule LSM-1.
4

5 **Q. Is UES proposing any other tariff changes for effect December 1, 2014?**

6 A. Yes. Schedule LSM-1, Page 4 of 4, provides the Summary of Low-Income
7 Electric Assistance Program Discounts, incorporating the proposed December 1
8 Non-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 2, the proposed Residential Class fixed Non-
13 G1 DSC is \$0.15544 (15.544¢) per kWh and the proposed G2 and Outdoor
14 Lighting ("OL") Class fixed Non-G1 DSC is \$0.15265 (15.265¢) per kWh for the
15 period December 1, 2014 through May 31, 2015. The proposed Residential Class
16 variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1 DSC
17 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 2: 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 December 1, 2014 through May 31, 2015, the proposed Residential
2 Class fixed Non-G1 Power Supply Charge is \$0.15129 (15.129¢) per kWh, the
3 proposed G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.14850
4 (14.850¢) per kWh, and the proposed fixed Non-G1 RPS Charge is \$0.00415
5 (0.415¢) per kWh. These figures, as well as the variable amounts for the same
6 period, are shown on Schedule LSM-1, Page 2.

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 \$0.15544 (15.544¢) per
10 kWh is an increase of \$0.07131 (7.131¢) per kWh from the current DSC of
11 \$0.08413 (8.413¢) per kWh. The proposed G2 and OL Class fixed Non-G1 DSC
12 of \$0.15265 (15.265¢) per kWh is an increase of \$0.07308 (7.308¢) per kWh
13 from the current DSC of \$0.07957 (7.957¢) per kWh. These increases reflect
14 higher contract costs for the period December 1, 2014 through May 31, 2015
15 compared to the contract costs for the current period June 1, 2014 through
16 November 30, 2014.

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 28, 2014¹, 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 provided support for the total forecast costs shown on Page 1,**
9 **lines 2 and 10 of Schedule LSM-2?**

10 A. The details of forecasted costs for the period December 2014 through May
11 2015 are provided on Schedule LSM-2, Page 2. Line items for the various
12 costs included in default service are shown and include: Non-G1 Class
13 (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier
14 Charges, GIS Support Payments, Supply Related Working Capital, Provision
15 for Uncollected Accounts, Internal Company Administrative Costs, Legal
16 Charges, and Consulting Outside Service Charges. In addition, costs include

¹ In its April 2014 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2014 to be (\$249,802) which is shown on Schedule LSM-2, Page 1. UES provided the portion of the Non-G1 Class RPS Charge reconciliation balance for recovery effective December 1, 2014 to be (\$687,752) which is shown on Schedule LSM-3, Page 1.

1 an adjustment to recover default service related costs associated with the
2 customer billing adjustment in DE 11-105.

3

4 **Q. Have you provided support for the customer billing adjustment line item**
5 **on Schedule LSM-2, Page 2?**

6 A. Support for the monthly amount of \$41,314 included in December 2014
7 through May 2015 is provided on Schedule LSM-2, Page 3. In accordance
8 with the Settlement Agreement dated October 4, 2012 and approved on
9 January 25, 2013 by Order No. 25,458 in DE 11-105, UES was allowed to
10 recover \$1,152,493, plus interest beginning June 1, 2012, through Non-G1
11 Default Service. Recovery of this adjustment will continue through
12 November 2015. As shown on Schedule LSM-2, Page 3, based on the current
13 prime interest rate of 3.25%, recovery of \$41,314 each month will result in a
14 zero balance at the end of November 2015.

15

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

18 A. The details of forecasted costs for the period December 2014 through May
19 2015 are provided on Schedule LSM-3, Page 2. Costs include RECs and the
20 associated working capital.

21

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

1 A. Working capital included in the Power Supply Charge equals the sum of
2 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus
3 Non-G1 Class (G2 and OL) DS Supplier Charges, plus GIS Support
4 Payments, as shown on Schedule LSM-2, Page 2. It is calculated by taking
5 the product of Non-G1 Class (Residential) DS Supplier Charges plus Non-G1
6 Class (G2 and OL) DS Supplier Charges plus GIS Support Payments and the
7 number of days lag divided by 365 days (i.e. the working capital requirement)
8 and multiplying it by the prime rate.

9
10 The calculation of working capital for RECs is included in the RPS Charge
11 and is shown on Schedule LSM-3, Page 2. It is calculated by taking the
12 product of RECs and the number of days lead divided by 365 days (i.e. the
13 working capital requirement) and multiplying it by the prime rate.

14
15 The calculation of working capital included in the Power Supply Charge and
16 the RPS Charge both rely on the results of the 2013 Default Service and
17 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
18 Charge working capital calculation uses 7.48 days and the Non-G1 class RPS
19 Charge working capital calculation uses (317.15) days.

20
21 **Q. Has UES included its annual update to internal company administrative**
22 **costs associated with providing default service?**

1 A. Yes. The updated internal company administrative costs associated with
2 providing default service proposed for effect December 1, 2014 are provided
3 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
4 identically to those submitted as part of the update last year.

5
6 The Settlement Agreement in DE 05-064 allows UES to update these costs
7 annually based on changes to labor costs and associated overheads. The labor
8 hours allocated to DS reflect test year values and are not adjusted. UES has
9 used an overhead rate of 99.5% based on the average for calendar year 2013.

10 The updated labor costs by department are detailed on Schedule LSM-6, Page
11 2 of 2.

12
13 As shown on Page 1 of 2, the revised internal administrative costs associated
14 with providing DS are \$69,616. \$27,641 of that amount is attributable to the
15 Non-G1 class and \$41,975 is attributable to the G1 class. The current internal
16 administrative costs associated with providing DS are \$66,218, with \$26,275
17 attributable to the Non-G1 class and \$39,943 attributable to the G1 class.

18

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

20 A. The proposed G1 class DSC are comprised of two componets, as shown on
21 Schedule LSM-1, Page 3: A Power Supply Charge and a Renewable Portfolio
22 Standard (“RPS”) Charge. The wholesale supplier charge included in the Power
23 Supply Charge will be determined each month based on the sum of fixed monthly

1 adders and variable energy prices, and therefore, the total DSC for the G1 class is
2 not known at this time.

3

4 **Q. What is the proposed Power Supply Charge, exclusive of supplier charges,
5 and RPS Charge?**

6 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
7 excluding the supplier charge component, of \$0.00396 (0.396¢) per kWh in
8 December 2014 through May 2015. The wholesale supply charge determined
9 each month will be added to this amount to yield the monthly G1 class Power
10 Supply Charge.

11

12 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
13 \$0.00167 (0.167¢) per kWh in December 2014 and \$0.00403 (0.403¢) per kWh in
14 January through May 2015.

15

16 **Q. Have you prepared a comparison of the proposed G1 DSC to the current
17 rate?**

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

20

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

22 A. The rate calculations for the Power Supply Charges, excluding wholesale supplier
23 charges, are provided on Schedule LSM-4, Page 1. The rate calculations for the

1 RPS Charges are provided on Schedule LSM-5, Page 1. Both charges are
2 calculated in the same manner.

3

4 Each charge is calculated by dividing the costs for each month, including a partial
5 reconciliation of costs and revenues through February 28, 2014², by the estimated
6 G1 kWh purchases for the corresponding month. An estimated loss factor of
7 4.591% is then added to arrive at the proposed retail charges.

8

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

11 A. The details of forecasted costs included in the Power Supply Charge for the
12 period December 2014 through May 2015 are provided on Schedule LSM-4,
13 Page 2. Line items for the various costs included in default service are shown
14 and include: Total G1 Class DS Supplier Charges, GIS Support Payments,
15 Supply Related Working Capital, Provision for Uncollected Accounts,
16 Internal Company Administrative Costs, Legal Charges, and Consulting

² In its April 2014 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2014 to be \$140,389 which is shown on Schedule LSM-4, Page 1. UES provided the portion of the G1 Class RPS Charge reconciliation balance for recovery effective December 1, 2014 to be (\$98,768) which is shown on Schedule LSM-5, Page 1.

1 Outside Service Charges. At the end of each month, UES will determine the
2 supplier charge to be added to the monthly Power Supply Charge.

3

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

6 A. The details of forecasted costs included in the RPS Charge for the period
7 December 2014 through May 2015 are provided on Schedule LSM-5, Page 2.
8 Costs include Renewable Energy Credits (“RECs”) and the associated
9 Working Capital.

10

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

12 A. Working capital included in the Power Supply Charge equals the sum of
13 working capital for Total G1 Class DS Supplier Charges plus GIS Support
14 Payments and is shown on Schedule LSM-4, Page 2. It is calculated by taking
15 the product of Total G1 Class DS Supplier Charges plus GIS Support
16 Payments and the number of days lag divided by 365 days (i.e. the working
17 capital requirement) and multiplying it by the prime rate. As the Total G1
18 Class DS Supplier Charges for the upcoming rate period are not yet known,
19 UES has estimated power supply costs for the purpose of estimating working
20 capital. The estimate of power supply costs is based on the forecasted G1
21 class kWh purchases and an estimated price per kWh. The estimated price per
22 kWh was determined by comparing a historical relationship between G1 and
23 Non-G1 class supplier pricing and then applying that relationship to the

1 current average Non-G1 supplier price per kWh. Actual working capital will
2 be determined using the actual supplier charges in each month.

3

4 The calculation of working capital for RECs is included in the RPS Charge
5 and is shown on Schedule LSM-5, Page 2. It is calculated by taking the
6 product of RECs and the number of days lead divided by 365 days (i.e. the
7 working capital requirement) and multiplying it by the prime rate.

8

9 The calculation of working capital included in the Power Supply Charge and
10 the RPS Charge both rely on the results of the 2013 Default Service and
11 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
12 Charge working capital calculation uses (5.05) days and the G1 class RPS
13 Charge working capital calculation uses (332.80) days.

14

15 **IV. BILL IMPACTS**

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

18 A. Typical bill impacts isolating the impact of changes to the DSC have been
19 provided in Schedule LSM-7. Total bill impacts to G1 customers are unknown at
20 this time and have therefore been excluded from Schedule LSM-7.

21

22 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
23 for the residential and General Service rate classes. These pages also show the

1 impact on a typical bill for each class in order to identify the effect of each rate
2 component on a typical bill.

3

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

6

7 Page 4 provides the overall average class bill impacts as a result of changes to the
8 DSC. As shown, for customers on Default Service, the residential class will
9 increase by approximately 44.0%, general service will increase by approximately
10 48.5%, and outdoor lighting will increase by approximately 24.6%.

11

12 Pages 5 through 9 of Schedule LSM-7 provide typical bill impacts for all classes,
13 excluding G1, for a range of usage levels.

14

15 **V. CONCLUSION**

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

17 **A.** Yes, it does.