UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

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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

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 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's Stranded Cost Charge ("SCC") and External Delivery Charge ("EDC"), effective August 1, 2014.

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

III. 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's proposed SCC?

A. As shown on Schedule LSM-1, Page 1, UES is proposing a SCC of $0.00018/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,

$0.00004/kWh and $0.04/kW for its Regular General Service G2 class, and $0.00005/kWh and $0.05/kVa for its Large General Service G1 class. The rates are proposed to become effective August 1, 2014.

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's 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 incur a demand based SCC. For these classes, 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, 2014, similar to the method used in last year’s filing.

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, 2014, plus the forecast of costs for the period August 2014 through July 2015, plus interest for the same period, by calendar month kWh sales for August 2014 through July 2015. 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 ($0.00009) per kWh. The decrease is due to a change in the prior period balance.

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, August 2012 through July 2013 and August 2013 through July 2014, while Page 3 provides the reconciliation for the forecast rate period, August 2014 through July 2015. Actual data is provided for August 2012 through April 2014 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.

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

A. Yes, revenue detail is shown on Schedule LSM-1, Page 4 for the period August 2012 through July 2013, August 2013 through July 2014, and August

2014 through July 2015. Actual data is included for August 2012 through April 2014 and the remaining months are forecast.

Q. Has UES included any adjustments to the SCC related to the customer billing adjustment approved in DE 11-105?

A. Yes. In accordance with the Settlement Agreement dated October 4, 2012 and approved on January 25, 2013 by Order No. 25,458 in DE 11-105, UES was allowed to recover $103,557, plus interest beginning June 1, 2012, through its Stranded Cost Charge. Recovery of this adjustment will continue through July 2015. As shown on Schedule LSM-1, Page 6, based on the current prime interest rate of 3.25%, recovery of $4,628 each month will result in a zero balance at the end of July 2015. This amount has been included as part of the costs presented on Schedule TMB-1, Page 2 of 2.

IV. 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's 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. Beginning May 1, 2011, as approved in DE 10-055, UES also recovers the Non-Distribution Portion of the annual NHPUC assessment and working capital associated with Other Flow-Through Operating Expenses as part of the EDC. In addition, the EDC includes the over- or under-collection from the Company's Vegetation Management Program and Reliability Enhancement Program for calendar years 2013, 2014 and 2015 in accordance with Order No. 25,656 in DE 14-063, and the rebate of excess 2014 Regional Greenhouse Gas Initiative ("RGGI") auction proceeds applicable to all retail electric customers in accordance with Order No. 25,664 in DE 14-048. Lastly, with this filing, UES is proposing to include in the EDC the lost distribution revenue as a result of net metering generation, as discussed in the testimony of Mr. Bohan.

Q. What is UES's proposed EDC?

A. Schedule LSM-2, Page 1, provides the proposed EDC of $0.01854/kWh applicable to all classes. This charge is proposed to become effective August 1, 2014.

Q. How is the EDC calculated?

A. The EDC is calculated by summing the prior period (over)/under recovery as of July 31, 2014, plus the estimated EDC costs and associated interest for the period August 2014 through July 2015. The total is divided by estimated calendar month kWh sales for the period August 2014 through July 2015.

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

A. The rate has decreased by ($0.00152) per kWh. This decrease is primarily due to a change in the prior period balance.

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

A. Schedule LSM-2 provides the reconciliation of EDC costs and revenues. Page 2 provides the reconciliation for the two prior periods, August 2012 through July 2013 and August 2013 through July 2014. As noted, May 2014 includes the overcollection associated with the Company's Vegetation Management Program (VMP) and Reliability Enhancement Program (REP), approved in Order No. 25,656. Page 3 of Schedule LSM-2 provides the reconciliation for the forecast rate period, August 2014 through July 2015. Interest is computed on average monthly balances using the prime rate, as described in the tariff. These pages reflect actual data for the period August 2012 through April 2014 and estimated data for the remainder of the period. Detail on monthly revenue is shown on Schedule LSM-2, Pages 4 and 5.

Q. Has UES included any adjustments to the EDC related to the customer billing adjustment approved in DE 11-105?

A. Yes. Similar to the SCC, UES has included recovery of the EDC portion of the customer billing adjustment in the proposed rate. Schedule LSM-2, Page 7, provides details of the recovery of the EDC cost through July 2015. As shown, based on the current prime rate of 3.25%, recovery of $6,166 each month will result in a zero balance at the end of July 2015. This amount has been included as part of the costs presented on Schedule TMB-2, Page 4 of 4.

V. TARIFF CHANGES AND BILL IMPACTS

Q. Has UES included tariff changes to reflect the proposed rate changes for effect August 1, 2014?

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. The proposed SCC and EDC are both incorporated into revised tariff Pages 4 and 5, Summary of Delivery Service Rates and Page 6, Summary of Low-Income Electric Assistance Program Discounts which are provided on pages 3, 4, and 5, respectively, of Schedule LSM-3. Schedule LSM-3, Page 6 of 6, is a revised Schedule EDC. Changes were made to Schedule EDC to allow for recovery of lost distribution revenue as a result of net metering generation through the EDC.

Q. Have you included any bill impacts as a result of proposed rate changes effective August 1, 2014?

A. Yes, rate changes and bill impacts as a result of changes to the SCC and EDC 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 1.0%. General Service (G2) average bills will decrease about 1.1%. Large General Service (G1) average bills will decrease about 1.5%. Outdoor lighting average bills will decrease about 0.5%.

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

VI. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.