

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 18-035

September 28, 2018

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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, 2018, 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, 2018?**

6 A. Yes. UES's Summary of Low-Income Electric Assistance Program Discounts,
7 incorporating the proposed December 1 Non-G1 (Residential) DSC, would also
8 be affected by this change. However, this page is currently pending approval in
9 DE 18-057 for effect October 1, 2018. UES plans to file this in compliance with a
10 Commission order.
11
12

13 **III. RETAIL RATE CALCULATIONS**

14 **Q. What are the proposed Non-G1 Class DSC?**

15 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
16 G1 DSC is \$0.11689 (11.689¢) per kWh and the proposed G2 and Outdoor
17 Lighting ("OL") Class fixed Non-G1 DSC is \$0.10598 (10.598¢) per kWh for the
18 period December 1, 2018 through May 31, 2019. The proposed Residential Class
19 variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1 DSC
20 for this same period are also shown on this page.
21

1 The proposed DSC are comprised of two components, as shown on Schedule
2 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
3 (“RPS”) Charge.

4

5 **Q. What are the proposed Power Supply Charges and RPS Charge?**

6 A. For the period December 1, 2018 through May 31, 2019, the proposed Residential
7 Class fixed Non-G1 Power Supply Charge is \$0.11607 (11.607¢) per kWh, the
8 proposed G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.10516
9 (10.516¢) per kWh, and the proposed fixed Non-G1 RPS Charge is \$0.00082
10 (0.082¢) per kWh. These figures, as well as the variable amounts for the same
11 period, are shown on Schedule LSM-1, Page 1.

12

13 **Q. How do the proposed Non-G1 fixed DSC rates compare to the Non-G1 fixed**
14 **DSC rates in effect last winter?**

15 A. The Residential Class fixed Non-G1 DSC in effect last winter, December 2017
16 through May 2018, was \$0.10034 (10.034¢) per kWh. The proposed Residential
17 Class fixed Non-G1 DSC of \$0.11689 (11.689¢) per kWh is an increase of
18 \$0.01655 (1.655¢) per kWh.

19

20 The G2 and OL Class fixed Non-G1 DSC in effect last winter, December 2017
21 through May 2018, was \$0.09381 (9.381¢) per kWh. The proposed G2 and OL
22 Class fixed Non-G1 DSC of \$0.10598 (10.598¢) per kWh is an increase of
23 \$0.01217 (1.217¢) per kWh.

1

2 **Q. How do the proposed Non-G1 fixed DSC rates compare to the current rate?**

3 A. The proposed Residential Class fixed Non-G1 DSC of \$0.11689 (11.689¢) per
4 kWh is an increase of \$0.03451 (3.451¢) per kWh from the current DSC of
5 \$0.08238 (8.238¢) per kWh. The proposed G2 and OL Class fixed Non-G1 DSC
6 of \$0.10598 (10.598¢) per kWh is an increase of \$0.03221 (3.221¢) per kWh
7 from the current DSC of \$0.07377 (7.377¢) per kWh. These increases reflect
8 higher contract costs for the period December 1, 2018 through May 31, 2019
9 compared to the contract costs for the current period June 1, 2018 through
10 November 30, 2018.

11

12 **Q. Please describe the calculation of the Non-G1 class DSC.**

13 A. The rate calculations for the Non-G1 class Power Supply Charges, fixed and
14 variable, are provided on Schedule LSM-2, Page 1. The rate calculations for the
15 Non-G1 class RPS Charges, fixed and variable, are provided on Schedule LSM-3,
16 Page 1. Both charges are calculated in a similar manner.

17

18 Variable pricing is calculated by dividing the total costs for the month, including a
19 partial reconciliation of costs and revenues through February 28, 2018¹, by the

¹ In its April 6, 2018 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2018 to be (\$263,280) which is shown on Schedule LSM-2, Page 1. UES provided the portion of the Non-G1 Class RPS

1 estimated monthly kWh purchases for the Residential Class and the G2 and OL
2 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed
3 retail variable charges. Fixed pricing is calculated in a similar manner, except
4 that the calculation is based on each class's total for the entire six month period.

5

6 **Q. Have you provided support for the total forecast costs shown on Page 1,**
7 **lines 2 and 10 of Schedule LSM-2?**

8 A. The details of forecasted costs for the period December 2018 through May
9 2019 are provided on Schedule LSM-2, Page 2. Line items for the various
10 costs included in default service are shown and include: Non-G1 Class
11 (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier
12 Charges, GIS Support Payments, Supply Related Working Capital, Provision
13 for Uncollected Accounts, Internal Company Administrative Costs, Legal
14 Charges, Consulting Outside Service Charges, and the default service portion
15 of the annual PUC Assessment allocated to the Non-G1 Class.

16

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

Charge reconciliation balance for recovery effective December 1, 2018 to be (\$821,028) which is shown on Schedule LSM-3, Page 1.

1 A. The details of forecasted costs for the period December 2018 through May
2 2019 are provided on Schedule LSM-3, Page 2. Costs include RECs and the
3 associated working capital.

4

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

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

14

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

19

20 The calculation of working capital included in the Power Supply Charge and
21 the RPS Charge both rely on the results of the 2017 Default Service and
22 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply

1 Charge working capital calculation uses 26.21 days and the Non-G1 class RPS
2 Charge working capital calculation uses (237.09) days.

3

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

6 A. Yes. The updated internal company administrative costs associated with
7 providing default service proposed for effect December 1, 2018 are provided
8 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
9 identically to those submitted as part of the update last year.

10

11 The Settlement Agreement in DE 05-064 allows UES to update these costs
12 annually based on changes to labor costs and associated overheads. The labor
13 hours allocated to DS reflect test year values and are not adjusted. UES has
14 used an overhead rate of 126% based on the average for calendar year 2017.

15 The updated labor costs by department are detailed on Schedule LSM-6, Page
16 2 of 2.

17

18 As shown on Page 1 of 2, the revised internal administrative costs associated
19 with providing DS are \$90,619. \$35,534 of that amount is attributable to the
20 Non-G1 class and \$55,085 is attributable to the G1 class. The current internal
21 administrative costs associated with providing DS are \$84,957, with \$33,479
22 attributable to the Non-G1 class and \$51,478 attributable to the G1 class.

23

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

2 A. The proposed G1 class DSC are comprised of two components, as shown on
3 Schedule LSM-1, Page 3: A Power Supply Charge and a Renewable Portfolio
4 Standard (“RPS”) Charge. The wholesale supplier charge included in the Power
5 Supply Charge will be determined each month based on the sum of fixed monthly
6 adders and variable energy prices, and therefore, the total DSC for the G1 class is
7 not known at this time.

8
9 **Q. What is the proposed Power Supply Charge, exclusive of supplier charges,
10 and RPS Charge?**

11 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
12 excluding the supplier charge component, of \$0.00248, or 0.248¢, per kWh in
13 December 2018 through May 2019. The wholesale supply charge determined
14 each month will be added to this amount to yield the monthly G1 class Power
15 Supply Charge.

16
17 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
18 \$0.00100 (0.100¢) per kWh in December 2018 and \$0.00143 (0.143¢) per kWh in
19 January through May 2019.

20
21 **Q. Have you prepared a comparison of the proposed G1 DSC to the current
22 rate?**

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

3
4 **Q. Please describe the calculation of the G1 class DSC.**

5 A. The rate calculations for the Power Supply Charges, excluding wholesale supplier
6 charges, are provided on Schedule LSM-4, Page 1. The rate calculations for the
7 RPS Charges are provided on Schedule LSM-5, Page 1. Both charges are
8 calculated in the same manner.

9
10 Each charge is calculated by dividing the costs for each month, including a partial
11 reconciliation of costs and revenues through February 28, 2018², by the estimated
12 G1 kWh purchases for the corresponding month. An estimated loss factor of
13 4.591% is then added to arrive at the proposed retail charges.

14
15 **Q. Have you provided support for the total forecast costs shown on Page 1,**
16 **line 2 of Schedule LSM-4?**

² In its April 6, 2018 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2018 to be \$18,084 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, 2018 to be (\$40,995) which is shown on Schedule LSM-5, Page 1.

1 A. The details of forecasted costs included in the Power Supply Charge for the
2 period December 2018 through May 2019 are provided on Schedule LSM-4,
3 Page 2. Line items for the various costs included in default service are shown
4 and include: Total G1 Class DS Supplier Charges, GIS Support Payments,
5 Supply Related Working Capital, Provision for Uncollected Accounts,
6 Internal Company Administrative Costs, Legal Charges, Consulting Outside
7 Service Charges, and the default service portion of the annual PUC
8 Assessment allocated to the G1 Class. At the end of each month, UES will
9 determine the supplier charge to be added to the monthly Power Supply
10 Charge.

11
12 **Q. Have you provided support for the total forecast costs shown on Page 1,
13 line 2 of Schedule LSM-5?**

14 A. The details of forecasted costs included in the RPS Charge for the period
15 December 2018 through May 2019 are provided on Schedule LSM-5, Page 2.
16 Costs include Renewable Energy Credits (“RECs”) and the associated
17 Working Capital.

18
19 **Q. How is working capital calculated?**

20 A. Working capital included in the Power Supply Charge equals the sum of
21 working capital for Total G1 Class DS Supplier Charges plus GIS Support
22 Payments and is shown on Schedule LSM-4, Page 2. It is calculated by taking
23 the product of Total G1 Class DS Supplier Charges plus GIS Support

1 Payments and the number of days lag divided by 365 days (i.e. the working
2 capital requirement) and multiplying it by the prime rate. As the Total G1
3 Class DS Supplier Charges for the upcoming rate period are not yet known,
4 UES has estimated power supply costs for the purpose of estimating working
5 capital. The estimate of power supply costs is based on the forecasted G1
6 class kWh purchases and an estimated price per kWh. The estimated price per
7 kWh was determined by comparing a historical relationship between G1 and
8 Non-G1 class supplier pricing and then applying that relationship to the
9 current average Non-G1 supplier price per kWh. Actual working capital will
10 be determined using the actual supplier charges in each month.

11

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

16

17 The calculation of working capital included in the Power Supply Charge and
18 the RPS Charge both rely on the results of the 2017 Default Service and
19 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
20 Charge working capital calculation uses 12.67 days and the G1 class RPS
21 Charge working capital calculation uses (245.08) days.

22

23

1 **IV. BILL IMPACTS**

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

4 A. Typical bill impacts for Non-G1 customers taking default service have been
5 provided on Schedule LSM-7. Total bill impacts to G1 customers are unknown at
6 this time and have therefore been excluded from Schedule LSM-7.

7

8 Pages 1 and 2 provide a table comparing the existing rates to the proposed rates
9 for the residential and General Service rate classes. These pages also show the
10 impact on a typical bill for each class in order to identify the effect of each rate
11 component on a typical bill.

12

13 Page 3 shows bill impacts versus current rates to the residential class based on the
14 mean and median use. Page 3 is provided in a format similar to Pages 1 and 2.

15

16 Page 4 provides the overall average class bill impacts as a result of changes to the
17 DSC versus current rates. As shown, for customers on Default Service, the
18 residential class will increase by approximately 20.1%, general service will
19 increase by approximately 21.0%, and outdoor lighting will increase by
20 approximately 9.8%.

21

22 Pages 5 through 9 of Schedule LSM-7 provide typical bill impacts versus current
23 rates for all classes, excluding G1, for a range of usage levels.

1

2 Pages 10 and 11 provide a table comparing rates in effect in December 2017 to
3 the proposed rates for the residential and General Service rate classes. These
4 pages also show the impact on a typical bill for each class in order to identify the
5 effect of each rate component on a typical bill. Most Non-G1 customers taking
6 fixed default service will see increases of roughly 4.2 to 7.6% compared to last
7 winter, mainly due to increases in the DSC.

8

9 **V. CONCLUSION**

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

11 **A.** Yes, it does.

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