

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
LINDA S. MCNAMARA**

New Hampshire Public Utilities Commission

Docket No. DE 19-049

September 27, 2019

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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, 2019, 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, 2019?**

6 A. Yes. Schedule LSM-1, Page 5 of 5, provides the Summary of Low-Income
7 Electric Assistance Program Discounts, incorporating the proposed December 1
8 Non-G1 (Residential) DSC.
9
10

11 **III. RETAIL RATE CALCULATIONS**

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

13 A. As shown on Schedule LSM-1, Page 1, the proposed Residential Class fixed Non-
14 G1 DSC is \$0.10330, or 10.330¢, per kWh and the proposed G2 and Outdoor
15 Lighting ("OL") Class fixed Non-G1 DSC is \$0.08987, or 8.987¢, per kWh for
16 the period December 1, 2019 through May 31, 2020. The proposed Residential
17 Class variable Non-G1 DSC and the proposed G2 and OL Class variable Non-G1
18 DSC for this same period are also shown on this page.
19

20 The proposed DSC are comprised of two components, as shown on Schedule
21 LSM-1, Page 1: A Power Supply Charge and a Renewable Portfolio Standard
22 ("RPS") Charge.
23

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

2 A. For the period December 1, 2019 through May 31, 2020, the proposed Residential
3 Class fixed Non-G1 Power Supply Charge is \$0.09989, or 9.989¢, per kWh, the
4 proposed G2 and OL Class fixed Non-G1 Power Supply Charge is \$0.08646, or
5 8.646¢, per kWh, and the proposed fixed Non-G1 RPS Charge is \$0.00341, or
6 0.341¢, per kWh. These figures, as well as the variable amounts for the same
7 period, are shown on Schedule LSM-1, Page 1.

8
9 **Q. How do the proposed Non-G1 fixed DSC rates compare to the Non-G1 fixed**
10 **DSC rates in effect last winter?**

11 A. The Residential Class fixed Non-G1 DSC in effect last winter, December 2018
12 through May 2019, was \$0.11689, or 11.689¢, per kWh. The proposed
13 Residential Class fixed Non-G1 DSC of \$0.10330, or 10.330¢, per kWh is a
14 decrease of \$0.01359, or 1.359¢, per kWh.

15
16 The G2 and OL Class fixed Non-G1 DSC in effect last winter, December 2018
17 through May 2019, was \$0.10598 (10.598¢) per kWh. The proposed G2 and OL
18 Class fixed Non-G1 DSC of \$0.08987, or 8.987¢, per kWh is a decrease of
19 \$0.01611 (1.611¢) per kWh.

20
21 **Q. How do the proposed Non-G1 fixed DSC rates compare to the current rate?**

22 A. The proposed Residential Class fixed Non-G1 DSC of \$0.10330, or 10.330¢, per
23 kWh is an increase of \$0.02616, or 2.616¢, per kWh from the current DSC of

1 \$0.07714, or 7.714¢, per kWh. The proposed G2 and OL Class fixed Non-G1
2 DSC of \$0.08987, or 8,987¢, per kWh is an increase of \$0.02115, or 2.115¢ per
3 kWh from the current DSC of \$0.06872, or 6.872¢ per kWh. These increases
4 reflect higher contract costs for the period December 1, 2019 through May 31,
5 2020 compared to the contract costs for the current period June 1, 2019 through
6 November 30, 2019.

7
8 **Q. Please describe the calculation of the Non-G1 class DSC.**

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

13
14 Variable pricing is calculated by dividing the total costs for the month, including a
15 partial reconciliation of costs and revenues through February 28, 2019¹, by the
16 estimated monthly kWh purchases for the Residential Class and the G2 and OL
17 Class. An estimated loss factor of 6.4% is then added to arrive at the proposed

¹ In its April 5, 2019 DSC filing, UES provided the portion of the Non-G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2019 to be (\$499,208) 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, 2019 to be (\$1,037,061) which is shown on Schedule LSM-3, Page 1.

1 retail variable charges. Fixed pricing is calculated in a similar manner, except
2 that the calculation is based on each class's total for the entire six month period.
3

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

6 A. The details of forecasted costs for the period December 2019 through May
7 2020 are provided on Schedule LSM-2, Page 2. Line items for the various
8 costs included in default service are shown and include: Non-G1 Class
9 (Residential) DS Supplier Charges, Non-G1 Class (G2 and OL) DS Supplier
10 Charges, GIS Support Payments, Supply Related Working Capital, Provision
11 for Uncollected Accounts, Internal Company Administrative Costs, Legal
12 Charges, Consulting Outside Service Charges, and the default service portion
13 of the annual PUC Assessment allocated to the Non-G1 Class.
14

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

17 A. The details of forecasted costs for the period December 2019 through May
18 2020 are provided on Schedule LSM-3, Page 2. Costs include RECs and the
19 associated working capital.
20

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

22 A. Working capital included in the Power Supply Charge equals the sum of
23 working capital for Non-G1 Class (Residential) DS Supplier Charges, plus

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

7

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

12

13 The calculation of working capital included in the Power Supply Charge and
14 the RPS Charge both rely on the results of the 2018 Default Service and
15 Renewable Energy Credits Lead Lag Study. The Non-G1 class Power Supply
16 Charge working capital calculation uses 27.35 days and the Non-G1 class RPS
17 Charge working capital calculation uses (260.44) days.

18

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

21 A. Yes. The updated internal company administrative costs associated with
22 providing default service proposed for effect December 1, 2019 are provided

1 on Schedule LSM-6. Pages 1 and 2 of Schedule LSM-6 are formatted
2 identically to those submitted as part of the update last year.

3
4 The Settlement Agreement in DE 05-064 allows UES to update these costs
5 annually based on changes to labor costs and associated overheads. The labor
6 hours allocated to DS reflect test year values and are not adjusted. UES has
7 used an overhead rate of 116% based on the average for calendar year 2018.
8 The updated labor costs by department are detailed on Schedule LSM-6, Page
9 2 of 2.

10
11 As shown on Page 1 of 2, the revised internal administrative costs associated
12 with providing DS are \$89,042. \$34,936 of that amount is attributable to the
13 Non-G1 class and \$54,106 is attributable to the G1 class. The current internal
14 administrative costs associated with providing DS are \$90,619, with \$35,534
15 attributable to the Non-G1 class and \$55,085 attributable to the G1 class.

16

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

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

1

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

4 A. Schedule LSM-1, Page 3, shows the proposed G1 Power Supply Charges,
5 excluding the supplier charge component, of \$0.00117, or 0.117¢, per kWh in
6 December 2019 through May 2020. The wholesale supply charge determined
7 each month will be added to this amount to yield the monthly G1 class Power
8 Supply Charge.

9

10 Also shown on Schedule LSM-1, Page 3, is the proposed G1 RPS Charge of
11 \$0.00337 (0.337¢) per kWh in December 2019 and \$0.00330 (0.330¢) per kWh in
12 January through May 2020.

13

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

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

18

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

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

1

2 Each charge is calculated by dividing the costs for each month, including a partial
3 reconciliation of costs and revenues through February 28, 2019², by the estimated
4 G1 kWh purchases for the corresponding month. An estimated loss factor of
5 4.591% is then added to arrive at the proposed retail charges.

6

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

9 A. The details of forecasted costs included in the Power Supply Charge for the
10 period December 2019 through May 2020 are provided on Schedule LSM-4,
11 Page 2. Line items for the various costs included in default service are shown
12 and include: Total G1 Class DS Supplier Charges, GIS Support Payments,
13 Supply Related Working Capital, Provision for Uncollected Accounts,
14 Internal Company Administrative Costs, Legal Charges, Consulting Outside
15 Service Charges, and the default service portion of the annual PUC
16 Assessment allocated to the G1 Class. At the end of each month, UES will

² In its April 5, 2019 DSC filing, UES provided the portion of the G1 Class Power Supply Charge reconciliation balance for recovery effective December 1, 2019 to be (\$1,402) 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, 2019 to be (\$66,882) which is shown on Schedule LSM-5, Page 1.

determine the supplier charge to be added to the monthly Power Supply Charge.

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

A. The details of forecasted costs included in the RPS Charge for the period December 2019 through May 2020 are provided on Schedule LSM-5, Page 2. Costs include Renewable Energy Credits (“RECs”) and the associated Working Capital.

Q. How is working capital calculated?

A. Working capital included in the Power Supply Charge equals the sum of working capital for Total G1 Class DS Supplier Charges plus GIS Support Payments and is shown on Schedule LSM-4, Page 2. It is calculated by taking the product of Total G1 Class DS Supplier Charges plus GIS Support Payments and the number of days lag divided by 365 days (i.e. the working capital requirement) and multiplying it by the prime rate. As the Total G1 Class DS Supplier Charges for the upcoming rate period are not yet known, UES has estimated power supply costs for the purpose of estimating working capital. The estimate of power supply costs is based on the forecasted G1 class kWh purchases and an estimated price per kWh. The estimated price per kWh was determined by comparing a historical relationship between G1 and 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 2018 Default Service and
11 Renewable Energy Credits Lead Lag Study. The G1 class Power Supply
12 Charge working capital calculation uses (17.66) days and the G1 class RPS
13 Charge working capital calculation uses (272.20) days.

14
15
16 **IV. BILL IMPACTS**

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

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

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

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

8
9 Page 4 provides the overall average class bill impacts as a result of changes to the
10 DSC versus current rates. As shown, for customers on Default Service, the
11 residential class will increase by approximately 15.4%, general service will
12 increase by approximately 14.0%, and outdoor lighting will increase by
13 approximately 6.4%.

14
15 Pages 5 through 9 of Schedule LSM-7 provide typical bill impacts versus current
16 rates for all classes, excluding G1, for a range of usage levels.

17
18 Pages 10 and 11 provide a table comparing rates in effect in December 2018 to
19 the proposed rates for the residential and General Service rate classes. These
20 pages also show the impact on a typical bill for each class in order to identify the
21 effect of each rate component on a typical bill. Most Non-G1 customers taking
22 fixed default service will see decreases of roughly 4.1 to 7.6% compared to last
23 winter, mainly due to decreases in the DSC.

1

2 **V. CONCLUSION**

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

4 **A. Yes, it does.**

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