**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF**

**LINDA S. MCNAMARA**

**New Hampshire Public Utilities Commission**

**Docket No. DE 24-___**

**May 24, 2024**

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## LIST OF SCHEDULES

## 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 for 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. I joined USC in June 1994 after earning my Bachelor of Science Degree in Mathematics from the University of New Hampshire. Since that time, 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 Revenue Decoupling Adjustment Factor ("RDAF") for effect August 1, 2024. My testimony will describe the rate calculations, reconciliation, and development of the Revenue Decoupling Adjustment ("RDA").

**Q. What type of support have you provided for the proposed rate change?**

**A.** This filing includes schedules detailing the development of the RDA and RDAF. In addition, I have also submitted schedules comparing actual to test year data, bill impacts associated with this proposed change, and redline changes to tariffs as a result of this proposal.

## III. REVENUE DECOUPLING

**Q. Please provide a brief description of revenue decoupling.**

**A.** Revenue decoupling is a ratemaking mechanism that is designed to break the link between a utility's sales and revenues. By eliminating the link between customer usage and company earnings, revenue decoupling removes the disincentive for utilities to promote conservation and energy efficiency programs. Revenue decoupling allows a utility to recover its base revenue requirement approved in it most recent base rate case, or similar proceeding, despite changes in sales which may be the result of factors such as increased customer conservation, net metering, weather, or economic conditions.

**Q. As a result of revenue decoupling, does UES still determine and record lost base revenue ("LBR") and/or displaced distribution revenue?**

**A.** Effective June 1, 2022, the effective date of UES's Revenue Decoupling Adjustment Clause ("RDAC"), UES stopped accruing LBR associated with energy efficiency savings. Up until that time, through May 31, 2022, UES accrued LBR associated with energy efficiency savings, with collection occurring through the Systems Benefits Charge.

Similarly, also effective June 1, 2022, UES no longer calculates displaced distribution revenue which it recovered through its External Delivery Charge ("EDC") each year, subject to review and approval by the Commission. The Company's last EDC, in DE 23-057, included the last displaced distribution revenue determination, recognizing impacts through May 31, 2022.

**Q. Please explain the basis for UES's RDAC.**

A. The RDAC provides for an adjustment to rates by comparing actual and allowed revenues based on a revenue per customer ("RPC") methodology. This methodology was approved as part of the Settlement Agreement in UES's last base rate case, DE 21-030.

## IV. RETAIL RATE CALCULATIONS

**Q. What are the proposed RDAF?**

A. In accordance with its tariff, UES has calculated three RDAF, applicable to its 1) residential domestic (D) and domestic time-of-use customers (TOU-D) customers, 2) its Regular General G2, G2 kWh Meter, and Quick Recovery Water Heating and Space Heating customers, and 3) Large General Service - G1 customers. As shown on Schedule LSM-1, Page 1, the proposed residential class RDAF is a charge of $0.00212 per kWh. The proposed Regular General service class RDAF is a credit of $0.00137 per kWh. The proposed Large General Service class RDAF is a charge of $0.00005 per kWh. These factors are proposed to take effect August 1, 2024.

**Q. How do the proposed RDAF compare to the current RDAF?**

A. The proposed RDAF for the residential classes is an increase of $0.00026 per kWh, while the proposed RDAF is a decrease of $0.00135 per kWh for the general service classes and a decrease of $0.00009 per kWh for the large general service class.

**Q. Please describe the calculation of the RDAF.**

**A.** Schedule LSM-1, Page 1 provides the details regarding the proposed RDAF for the period August 1, 2024 through July 31, 2025. For each customer group, UES determined the amount to be collected or credited over this period by summing the beginning balance as of April 1, 2023, the total of the monthly revenue variances ("MRV") calculated over the measurement period of April 1, 2023 through March 31, 2024, the total collections/(credits) associated with the current RDAF, and carrying charges through July 2025. The total of these amounts, shown on Line 5, was compared to the Revenue Decoupling Adjustment Cap (the "cap") and amounts eligible for collection were divided by estimated kWh sales for the rate period in order to calculate the proposed RDAF.

**Q. What is the cap and how is it calculated?**

**A.** The cap is intended to limit the impact of the RDAF on customer bills and is applicable to both over- and under-recoveries. It is calculated by taking three percent of actual distribution revenues, for each Customer Group, over the measurement period, April 2023 through March 2024. The calculation of the cap for the current period is provided in the bottom section of Schedule LSM-1, Page 5.

**Q. Are any of the three Customer Group RDAF calculations impacted by the cap?**

**A.** Yes. As shown on Schedule LSM-1, Page 1, line 5, the total RDA for the domestic group is ($2,214,569), due to actual base revenue per customer being less than the authorized base revenue per customer. The cap for this group however was determined to be, plus or minus, $1,070,391, resulting in a deferral of ($1,144,178). In accordance with its tariff, to the extent the application of the cap results in a RDA that is less than the total RDA for the period, the difference will be deferred with carrying charges and included for recovery in the subsequent RDAF filing.

**Q. Has UES provided a reconciliation of the RDA and associated RDAF revenues/(credits)?**

**A.** The reconciliation of the RDA and estimated RDAF revenues are provided on Schedule LSM-1, Pages 2, 3, and 4. Page 2 provides the reconciation for the residential class. Page 3 provides the reconciation for the Regular General service class. Page 4 provides the reconciation for the Large General Service class. These pages include actual data through April 2024 and forecasted data for the reminder of the period.

**Q. Where can details regarding the determination of the MRV shown in column (b) and the Monthly RDAF revenue shown in column (c) of Schedule LSM-1, Pages 2, 3 and 4 be found?**

**A.** The calculation of the MRV by customer class, during the period April 2023-March 2024, are provided on Schedule LSM-1, Page 5. Schedule LSM-1, Page 7, provides the RDAF revenues for the August 2023-July 2024 and August 2024-July 2025 periods.

**Q. Please describe how the MRV was determined.**

A. In accordance with its tariff, the MRV was determined each month, April 2023 through March 2024, by comparing the actual revenues per customer to the authorized revenues per customer for each customer class that is subject to the Revenue Decoupling Adjustment Clause. The resulting differences by month were summed by class to form the total MRV. The sum of the MRV for classes D and TOU-D form the the total MRV for the domestic group. The sum of the MRV for the G2, G2 kWh Meter, and G2 Quick Recovery Water Heating and Space Heating form the total MRV for the General Service group. The sum of the MRV for the G1 class forms the total MRV for the Large General Service group.

**Q. Where did the authorized revenues per customer come from?**

**A.** For the months April and May 2023, the approved authorized revenues per customer were filed in DE 22-026, Fourth Revised Schedule CGKS-8 (Monthly RPC), Page 3 of 7, of UES's August 1, 2022 Compliance Filing.

UES received approval of the authorized revenues per customer for the months beginning June 2023 as part of DE 23-014. The monthly figures were provided on 10b Revised Schedule CGKS-5 (Monthly RPC), Page 3 of 7, filed April 18, 2023.

**Q. How did UES determine the actual revenues per customer?**

**A.** The monthly actual revenues per customer were calculated by dividing actual base revenues by actual monthly customer counts. Schedule LSM-1, Page 6, provides details for both of these amounts. As shown, actual base revenues are comprised of actual billed base revenues plus net unbilled revenue. Actual customer counts were calculated by dividing actual customer charge revenue by the effective customer charge. For the residential and G2 General Service classes, adjustments to the customer counts were made to recogize the Riverwoods metering conversion.

**Q. What is the Riverwoods metering conversion?**

**A.** During the course of DE 21-030, UES last base rate case, UES was in the process of exploring a metering conversion at the Riverwoods continuing care retirement community facility in Exeter, NH. The conversion would entail replacing approximately 200 separate residential meters with approximately 3 or 4 G2 meters. At the time of preparing and filing DE 21-030, the exact configuration was not known. Because of the conversion and its affect on actual customer counts in comparison to test year customer counts, and consistent with section 4.5 of the Settlement Agreement in DE 21-030, UES has adjusted its actual customer counts to account for the change in RiverWoods' metering by adding back the number of residential customers lost and removing the number of G2 customers added as the conversions occured. As of March 2023, the conversions are complete and therefore the figures shown of 201 related to domestic and (2) related to general service, have remained, and will remain, unchanged.

**Q. Why has UES included net unbilled revenue in its total actual base revenues and how is it determined?**

**A.** Net unbilled revenue is included as part of actual base revenues each month in accordance with UES's RDAC tariff. It is calculated by taking the difference in unbilled revenue calcuated for the current month less the unbilled revenue calculated for the prior month. Monthly unbilled revenue is determined by multiplying an estimate of unbilled kWh by the actual monthly average base rate.

## V. COMPARISON OF ACTUAL TO TEST YEAR DATA

**Q. Do you have information comparing test year data to the most recent measurement period?**

**A.** Yes. Schedule LSM-2, Page 1 of 1, provides a comparison of customer counts, billed kWh and demands, and average use by month and by customer group from the test year versus data over the period April 2023 to March 2024..

**Q. How have customer counts and usage changed since the test year?**

A. Since the test year, the domestic and domestic time-of-use customer count has increased, however, average use has decreased. The G2 demand class has seen an increase in customer counts and average use, both in kWh and demand, while the

G2 kWh and G2 QR/WH classes have experienced decreases in customer counts and average use The G1 class has also seen a decrease in customer counts with modest changes in average use. The table, below, provides a summary of each classes'change in customer counts and average use, as well as providing the total revenue variance for each class, which was calculated on Schedule LSM-1, Page 5.

| | Residential D and TOU-D | G2 | G2 - kWh Meter | QRWH | G1 |
|---|---|---|---|---|---|
| Revenue Difference Over/(Under) Authorized | ($1,843,387) | $370,973 | ($1,299) | ($5,697) | ($14,231) |
| Change in Cumulative Customer Count | 12,736 | 1,935 | (286) | (118) | (20) |
| as a % of Test Year | 1.6% | 1.5% | (6.3%) | (3.8%) | (1.0%) |
| Change in Average Use Per Customer | | | | | |
| in kWh | (49) | 15 | (11) | (52) | 22 |
| as a % of Test Year | (7.8%) | 0.6% | (11.5%) | (3.6%) | 0.0% |
| in kW / kVA | n/a | 0.2 | n/a | n/a | (0.9) |
| as a % of Test Year | | 2.2% | | | (0.2%) |

## VI. BILL IMPACTS AND TARIFF CHANGES

**Q. Have you included any bill impacts associated with the proposed RDAF?**

A. Typical bill impacts, comparing current rates to those including the proposed RDAF, have been provided on Schedule LSM-3. As shown, for customers on Default Service, residential class bills will increase by approximately 0.1%, general service class bills will decrease by roughly 0.6%, and large general service class bills will decrease by approximately 0.1%.

**Q. Has UES provided tariff changes to reflect the proposed RDAF for effect August 1, 2024?**

A. Included with this filing is a proposed tariff page 69-H, the Calculation of the Revenue Decoupling Adjustment Factors. Please note that this page is essentially the same as provided on Page 1 of Schedule LSM-1. Changes, in redline, to the currently effective Calculation of the Revenue Decoupling Adjustment Factors are shown on Schedule LSM-4, Page 1.

**Q. Does the proposed August 1, 2024 RDAF affect any other tariffs?**

A. Yes. The RDAF is included in UES's Summary of Delivery Rates, tariff page 4, Summary of Whole House Residential Time of Use Rates and Electric Vehicle Rates, tariff page 5-A, and is used in the calculation of the Low-Income Electric Assistance Program (LI-EAP) Discounts for Eligible Customers, tariff page 6. Redline edits to these pages are provided as Pages 2, 3 and 4 of Schedule LSM-4. These pages reflect changes due to the proposed RDAF and have been presented in informational only form.

**Q. Why are the Summary of Delivery Rates, Summary of Whole House Residential Time of Use Rates and Electric Vehicle Rates, and the Low-**

**Income Electric Assistance Program (LI-EAP) Discounts for Eligible Customers filed as informational only?**

A. As mentioned above, these pages incorporate changes associated with the proposed August 1, 2024 RDAF. However, changes to these pages are currently pending for effect June 1, 2024 in DE 23-033. In addition, on June 7, 2024 and on approximately June 17, 2024, UES plans to file, respectively, its semi-annual Default Service Charge filing and its annual Stranded Cost Charge ("SCC")/EDC filing. Rate changes included in these two filings will affect the rates presented on Tariff Page 4, 5-A, and 6, and like the RDAF, are also for effect August 1. Therefore, in order to avoid overlapping proposed versions, UES has filed these pages here, as informational, and intends to request approval of these tariff pages as part of its SCC/EDC filing where it will incorporate all proposed August 1 rates, including the RDAF. The intent of including these pages here is simply to provide all tariff pages that will be affected by the RDAF change.

## VII. CONCLUSION

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

A. Yes, it does.