UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LINDA S. MCNAMARA

New Hampshire Public Utilities Commission

Docket No.: DE 24-____

June 14, 2024

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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. 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 changes to UES's Stranded Cost Charge ("SCC") and External Delivery Charge ("EDC"), effective August 1, 2024.

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. Jeffrey Pentz is sponsoring testimony which addresses the costs associated with each of these charges. Ms. Emily Anderson has provided testimony to support the EDC Lead Lag Study. Mr. Daniel Nawazelski has provided testimony related to the Company's request for approval of recovery of the increase in property taxes associated with HB 700.

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 $0.00013/kWh applicable to all classes. The charge is proposed to become effective August 1, 2024.

Q. How is the SCC calculated?

A. The SCC is calculated by summing the prior period (over)/under recovery as of July 31, 2024, plus the estimated SCC costs and associated interest for the period August 2024 through July 2025. The total is divided by estimated calendar month kWh sales for the period August 2024 through July 2025.

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

A. The uniform rate is increasing by $0.00023 per kWh. The increase is due the change in the prior period reconciliation balance as well as an increase to estimated costs for the forecast period.

Q. Have you provided a history of how the SCC has changed over time?

A. Yes, the table below provides the history of allowed costs and approved SCC since August 2019.

	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022	Aug 2022-Jul 2023	Aug 2023-Jul 2024	Aug 2024-Jul 2025
Total $ included in SCC for recovery	($136,261)	($270,103)	($21,266)	$19,060	($111,580)	$147,271
Total SCC ($/kWh)	($0.00012)	($0.00025)	($0.00002)	$0.00002	($0.00010)	$0.00013
Annual increase/(decrease) - $		($133,842)	$248,837	$40,326	($130,640)	$258,851
Increase/(decrease) - $/kWh		($0.00013)	$0.00023	$0.00004	($0.00012)	$0.00023

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 periods, August 2022 through July 2023, August 2023 through July 2024, and the forecasted rate period, August 2024 through July 2025. Actual data is provided for August 2022 through April 2024 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 and consistent with the tariff.

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

A. Yes, revenue detail is shown on Schedule LSM-1, Page 3 for the periods August 2022 through July 2023, August 2023 through July 2024, and August 2024 through July 2025. Actual data is included for August 2022 through April 2024 and the remaining months are forecast.

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 Default Service Charge ("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 working capital associated with Other Flow-Through Operating Expenses and the Non-Distribution Portion of the annual Department of Energy ("DOE") assessment as part of the EDC. Effective July 1, 2014, in accordance with RSA 363-A:6, the Non-Distribution Portion of the annual DOE assessment is modified to recover charges/credits in excess of the total DOE Assessment, less amounts charged to base distribution and Default Service. Pursuant to the provisions of RSA 363:28, III UES also recovers any Commission approved special assessments charged to UES associated with the expenses of experts employed by the DOE and the Office of Consumer Advocate. The EDC also includes the prudently incurred costs, as approved by the Commission, associated with the alternative net metering tariff approved in Docket DE 16-576. Beginning June 1, 2022, the EDC includes the amounts credited to, or paid to, customer generator net metering customers with an excess of 600 kWh banked at the end of the March billing cycle who opt to be credited or paid in accordance with the Puc 900 rules, as well as any monthly amounts credited to, or paid to, large customer generators or group net metering customers including any required annual credit reconciliation in accordance with Puc 900. In association with these net metering credits, the EDC includes any corresponding offsets for any wholesale market revenue received that is attributable to net metered facilities.

In addition, the EDC is allowed to include the over- or under-collection from the Company's Vegetation Management Program ("VMP"), Storm Resiliency Program ("SRP"), and Reliability Enhancement Program ("REP") in accordance with the Settlement Agreement in DE 16-384 and DE 21-030; the reconciliation of the prior year's local property tax recovery included in distribution rates and the actual property tax expense for the calendar year; the rebate of excess Regional Greenhouse Gas Initiative ("RGGI") auction proceeds applicable to all retail electric customers in accordance with Order No. 25,664 in DE 14-048; and, as approved in DE 21-030, wheeling revenue received by the Company, and for the three-year period beginning August 1, 2022, the return of Excess Accumulated Deferred Income Tax from 2018-2020 totaling $2,644,590. Details regarding the property tax reconciliation are provided by Mr. Nawazelski.

Q. What is UES's proposed EDC?

A. Schedule LSM-2, Page 1, provides the proposed EDC of $0.02539/kWh applicable to all classes. This charge is proposed to become effective August 1, 2024.

Q. How is the EDC calculated?

A. The EDC is calculated by summing the prior period (over)/under recovery as of July 31, 2024, plus the estimated EDC costs net of wholesale and wheeling revenue, and associated interest for the period August 2024 through July 2025. The total is divided by estimated calendar month kWh sales for the period August 2024 through July 2025.

Q. In DE 18-029, UES separated its EDC into two pieces, transmission and non-transmission, in order to properly bill and credit alternative net metering customers. Is the proposed EDC formatted and calculated in this same manner?

A. Yes, the total proposed EDC has been broken into a transmission piece and non-transmission piece in order to bill and credit alternative net metering customers. The transmission-only factor is $0.03170/kWh and the non-transmission factor is ($0.00631)/kWh. The calculation of these factors is provided on Schedule LSM-2, Page 1. The majority of UES's customers will continue to be billed the total EDC. The reconciliation of costs and revenues beginning in August 2022, shown on Schedule LSM-2, pages 2, 3 and 4, are also provided separately for transmission and non-transmission.

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

A. The total EDC has decreased by $0.01947/kWh. This decrease is primarily due to a change in the reconciliation balance. The current forecasted overcollection for the period ending July 31, 2024 is due, in most part, to lower than forecast Regional Transmission and Operating Entities costs, lower than forecast net metering credits, and higher than forecast RGGI auction proceeds.

Q. Have you provided a history of how the EDC has changed over time?

A. Yes, the table below provides the history of allowed costs and approved EDC since August 2019.

	Aug 2019-Jul 2020	Aug 2020-Jul 2021	Aug 2021-Jul 2022	Aug 2022-Jul 2023	Aug 2023-Jul 2024	Aug 2024-Jul 2025
Total $ included in EDC for recovery	$29,451,363	$39,477,156	$34,895,639	$29,138,055	$50,254,291	$28,442,060
Total EDC ($/kWh)	$0.02502	$0.03613	$0.02978	$0.02533	$0.04486	$0.02539
Annual increase/(decrease) - $		$10,025,793	($4,581,517)	($5,757,583)	$21,116,235	($21,812,231)
Increase/(decrease) - $/kWh		$0.01111	($0.00635)	($0.00445)	$0.01953	($0.01947)

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.

Pages 2 and 3 provide the reconciliation for the two prior periods, August 2022 through July 2023 and August 2023 through July 2024. These pages reflect actual data for the period August 2022 through April 2024 and estimated data for the remainder of the period.

Page 4 of Schedule LSM-2 provides the reconciliation for the forecast rate period, August 2024 through July 2025. Support for the total costs are provided by Mr. Pentz. Detail on monthly revenue is shown on Schedule LSM-2, Page 5. Interest is computed on average monthly balances using the prime rate, as described in the tariff. As noted on the bottom of Page 4, the estimated August 2024 beginning balance includes the VMP/SRP/REP reconciliation balance, totaling $387,940, effective May 1, 2024, as filed in DE 23-092, plus the July 31, 2024 estimated Lost Base Revenue reconciliation balance of $10,990.82.

Q. Why has UES included the Lost Base Revenue (LBR) reconciliation balance in its EDC?

A. Effective June 1, 2022, the Company transitioned to a revenue decoupling mechanism approved in DE 21-030, and as a result, ceased calculating LBR. As part of the 2022 UES EE Annual Report filed June 1, 2023, the Company stated it planned to propose to include any LBR remaining balance, plus interest, in its EDC.

V. WHOLE HOUSE RESIDENTIAL TIME OF USE RATES AND ELECTRIC VEHICLE RATES

Q. Has the Company calculated the time differentiated transmission rates for Schedule TOU-D, Schedule TOU-EV-D, Schedule TOU-EV-G2, and Schedule TOU-EV-G1 for effect August 1, 2024 and December 1, 2024?

A. Yes, please see Schedule LSM-3, Pages 1 through 6. As shown, consistent with the Settlement Agreements approved in DE 20-170 and DE 21-030, the rates for transmission are derived from the ratios resulting from the initial peak, mid peak, and off-peak rates for the summer and winter seasons which were provided in DE 20-170 Exhibit 24 Revised, Attachment A Illustrative Rates.

In addition to providing the time differentiated transmission rates, these pages also provide the time differentiated DSC for effect August 1, 2024 for the residential and G2 TOU/EV classes[1], as well as the time differentiated DSC and distribution charges for effect December 1, 2024. Please note that as part of its most recent default service filing, in DE 24-065, UES included a similar schedule showing the calculation of these same time differentiated DSC for effect August 1, 2024 and December 1, 2024.

Q. Why has UES included the time differentiated DSC charges with this filing if the rates were included in DE 24-065 already?

[1] Note, the DSC for the TOU-EV G1 class is not time differentiated.

A. Schedule LSM-3 now incorporates all proposed August 1, 2024 rates, including the SCC, EDC, DSC, and the Revenue Decoupling Adjustment Factor ("RDAF"). UES filed its proposed August 1, 2024 RDAF on May 24, 2024 in DE 24-077. As shown on Schedule LSM-3, the proposed SCC and RDAF are not time varying, and the RDAF is only applicable to the TOU-D class.

VI. TARIFF CHANGES

Q. Has UES included tariff changes to reflect the proposed rate changes for effect August 1, 2024?

A. Schedule LSM-4, Pages 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. Pages 3, 4, 5 and 6 provide redline versions of UES's Summary of Delivery Service Rates, Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates, and Summary of Low-Income Electric Assistance Program Discounts. These pages reflect all proposed August 1, 2024 rates, including the EDC, SCC, RDAF, and DSC.

Q. Would the proposed August 1, 2024 rate changes affect any other tariffs?

A. Yes. As referenced previously, the transmission, distribution and DSC are time varying for customers choosing to take service under Schedule TOU-D, Schedule TOU-EV-D, Schedule TOU-EV-G2, and Schedule TOU-EV-G1.

As such, these factors would be affected by the application of the winter ratios effective December 1, 2024, and thereby, the Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates, tariff Page 5-A, would require modification.

Q. Is the December 1, 2024 Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates included with this filing?

A. No. UES has not included this tariff page, Page 5-A, at this time. The impact to this page on December 1, 2024 will result from the use of winter ratios, applied to approved rates, and therefore UES intends to file tariff Page 5-A in compliance with a Commission order in this docket once it receives approval of all currently requested August 1, 2024 rate changes. If the proposed August 1, 2024 rates are approved as filed, the time varying rates that would be included on tariff Page 5-A, for effect December 1, 2024, are the ones shown on Schedule LSM-3.

Q. Where do the proposed August 1, 2024 rates shown on tariff page 5-A come from?

A. As discussed previously, Schedule LSM-3, the calculation of time-varying rates, provides all rates (time-varying as well as non-time varying), in order to show all rates applicable to customers taking service under the Whole House Residential Time Of Use and Electric Vehicle rate schedules. The rates shown on this schedule, using the “summer” ratios, have been incorporated into the proposed tariff Page 5-A, the Summary Of Whole House Residential Time Of Use Rates And Electric Vehicle Rates.

Q. How are the Low-Income Electric Assistance Program (LI-EAP) Discounts for Eligible Customers determined?

A. Support, showing the calculation of the discount rates presented on tariff page 6, is provided on Schedule LSM-4, Page 7. The various discounted rates are calculated, by tier, by multiplying the applicable discount percentage by the customer charge, the delivery charge, and the default service charges.

VII. BILL IMPACTS

Q. Have you included any bill impacts as a result of the proposed SCC and EDC effective August 1, 2024?

A. Yes, bill impacts as a result of changes to the proposed August 1 SCC and EDC have been provided in Schedule LSM-5. Pages 1 through 3 provide a comparison of 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 a result of the proposed changes to the SCC and EDC. As shown, for customers on Default Service, the residential class average bill will decrease about 8.2%. General Service (G2) average bills will decrease about 9.0%. Large General Service (G1) average bills will decrease about 12.5%. Outdoor lighting average bills will decrease about 4.8%.

Pages 6 through 12 of Schedule LSM-4 provide typical bill impacts for all classes for a range of usage levels.

Q. In addition to the proposed SCC and EDC, you have discussed that UES has proposed RDAF and DSC changes which are pending in other dockets, but are also for effect August 1, 2024. Have you prepared an analysis to show the impact to customers based on all August 1 proposed rates?

A. Yes. Schedule LSM-4, Page 13 provides the overall average class bill impact as a result of the proposed changes to the SCC, EDC, RDAF, and DSC. Due to the decrease in the EDC, customers on Default Service will see decreases overall. Compared to currently effective rates, for customers on Default Service, the residential class average bill will decrease about 9.0% under all August 1, 2024 rate changes. General Service (G2) average bills will decrease about 9.7%. Large General Service (G1) average bills will decrease about 12.6%. Outdoor lighting average bills will decrease about 4.9%.

VIII. CONCLUSION

Q. Does that conclude your testimony?

A. Yes, it does.