

**THE STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 08-040**

**ORDER OF NOTICE**

On March 14, 2008, Unitil Energy Systems, Inc. (UES) filed with the Commission its annual reconciliation of several adjustable rate mechanisms established pursuant to its tariffs approved in DE 01-247, *Proposal to Restructure the Unitil Companies*, 87 NHPUC 694 (Order No. 24,072) October 25, 2002. These adjustable rate mechanisms include the stranded cost charge and external delivery charge. UES proposes to make the requested rate changes effective May 1, 2008, on a service rendered basis.

In Docket No. DE 08-015, *Unitil Energy Systems, Inc.*, Order No. 24,838 (March 21, 2008), the Commission approved an increase in its default service energy charges for effect May 1, 2008. If the instant filing is approved, the total average class bill impact for customers taking default service will increase as follows: 8.2 percent for the residential class; 8.3 percent for the regular general (G2) service class; 12.8 percent for the large general (G1) service class; and 4.9 percent for the outdoor lighting class. The stranded cost charge and the external delivery charge will increase for customer classes as follows: 3.1 percent for the residential class; 3.1 percent for the regular general (G2) service class; 4.1 percent for the large general (G1) service class; and 1.8 percent for the outdoor lighting class.

The stranded cost charges are payment obligations of UES based on a prior contractual relationship with Unitil Power Corporation (UPC). On May 1, 2003, UPC waived certain contractual rights to take action against UES in connection with the power supply agreements in exchange for UES' agreement to make monthly Contract Release Payments to UPC equal to the

sum of (i) the Portfolio Sales Charge, (ii) the Residual Contract Obligations, (iii) the Hydro-Quebec Support Payments, and (iv) true-ups from prior periods. The stranded cost charge is the mechanism by which UES recovers these contract release payments from its retail customers.

UES proposes a stranded cost charge increase of \$0.00032 per kilowatt-hour (kWh). The increase is due primarily to an increase in the prior period reconciliation balance. The current total stranded cost charge for all classes, with the exception of the G1 class, includes a charge of \$0.00014 per kWh associated with the Transition Service Charge Balance. The G1 class' total stranded cost charge includes a credit of \$0.00119 per kWh for the same Transition Service Charge Balance. UES proposes to alter its methodology for reconciling the Transition Service Charge Balance by including the balances for the G2 demand and G1 classes in the stranded cost charge calculation for all classes rather than calculating separate factors for those two classes. This will result in an increase of \$0.00018 per kWh for all classes with the exception of the G2 demand class and the G1 class. The G2 demand class will see an increase of \$0.00011 per kWh and the G1 class will see an increase of \$0.00148 per kWh.

The external delivery charge is the mechanism by which UES recovers the costs it incurs associated with providing transmission services outside UES' system and other costs for energy and transmission related services. UES proposes an external delivery charge of \$0.01131 per kWh applicable to all classes, an increase of \$0.00434 compared to the rate currently in effect. The increase is due primarily to increased costs as well as a significant difference between the prior period's beginning balance (an over-recovery of \$1.3 million) and the current period's beginning balance (an under-collection of slightly more than \$1 million). The under-collection is mainly a result of increased costs coupled with the inclusion of the Rate Case Surcharge balance in November 2007 as well as slightly lower revenues than forecasted for UES.

The filing raises, inter alia, issues related to: whether the calculations of stranded cost are in conformance with Commission orders in Docket No. DE 01-247, *Proposal to Restructure the Unitil Companies*, 87 NH PUC 694 (2002); whether the collection of the Transition Service Charge Balance included in the stranded cost charge-is just and reasonable; whether the actual and forecasted costs and revenues are appropriately included in the computation of the various proposed adjustments; whether the adjusted rates proposed by UES are just and reasonable as required by RSA 378:3, 5 and 7; whether all costs associated with the administration of default service are appropriately allocated pursuant to RSA 374-F:3, V(c); whether the proposed rates are designed to minimize customer risk, not unduly hurt the development of competitive markets, and mitigate against price volatility without creating new deferred costs pursuant to RSA 374-F:3, V(e); and generally, whether the resulting rates reflect the principles of restructuring pursuant to RSA 374:F. Each party has the right to have an attorney represent them at their own expense.

**Based upon the foregoing, it is hereby**

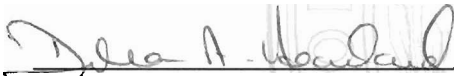
**ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.12, a hearing be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on April 22, 2008 at 1:30 PM; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.12, UES shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than April 4, 2008, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before April 22, 2008; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to UES and the Office of the Consumer Advocate on or before April 18, 2008, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

**FURTHER ORDERED**, that any party objecting to a Petition to Intervene make said Objection on or before April 22, 2008.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of March, 2008.

  
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Debra A. Howland  
Executive Director & Secretary



Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.