

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

**DE 09-137**

**UNITIL ENERGY SYSTEMS, INC.**

**Order Suspending Tariff and Scheduling a Prehearing Conference**

**ORDER NO. 25,010**

**September 4, 2009**

On August 5, 2009, Unitil Energy Systems, Inc. (UES or the Company) filed a petition pursuant to RSA 374-G requesting several approvals in connection with distributed energy resources (DER) projects, including approval of proposals regarding 1) a two stage framework for review of its DER investment proposals, 2) a DER project screening process, 3) a DER rate recovery mechanism and DER tariff to be activated with a later rate filing, and 4) its 2009 DER program. UES filed supporting testimony and related schedules with its petition. UES also filed draft tariff pages with the notation "to be filed" in the rate field.

UES stated that its proposed 2009 DER program will consist of the following projects: 1) a time-of-use/demand response pilot program; 2) a solar domestic hot water system at Crutchfield Place, a 105 unit low income multifamily property in Concord; 3) a solar photovoltaic installation at the new Stratham fire house; and 4) a solar photovoltaic installation and a Capstone microturbine combined heat and power unit for school administrative unit (SAU) 16 in Exeter.

UES stated that RSA 374-G allows electric public utilities to invest in DER as defined in the statute and authorizes rate recovery for approved utility DER investments. According to UES, RSA 374-G does not specify the precise regulatory process and rate recovery mechanism nor does it describe a precise cost/benefit test or evaluation. UES proposes a two-step regulatory

process for its DER investments whereby the Commission would first determine whether each of the Company's proposed DER investments is in the public interest, using UES' proposed methodology. This step would occur before the Company made the DER investment and would authorize the Company to proceed with the investment. The second step would be a cost recovery review process based on a rate filing. Among other things, UES proposes that the rate calculation include a rate of return on the investments calculated using the prior year capital structure and incorporating the return on equity from the Company's most recent base rate case for purposes of calculating a rate of return on UES' DER investments.

UES proposes a screening model to evaluate potential DER investments. According to the Company, the model is based on the 2009 UES screening tool developed for energy conservation and load management evaluations, with enhancements that add an environmental impact analysis and a module for economic impact. In addition, the Company stated that the screening model includes a method for quantifying the local system benefits of DER projects.

UES explained that, under the proposal, it would use a reconciling Distributed Energy Resources Investment Charge (DERIC) to recover the costs of its DER investments. The DERIC would be set to recover the projected annual revenue requirements for the recovery of the investment and operation and maintenance costs of the Company's approved DER and projected lost base revenues, less any offsetting revenues, and would take account of any over- or under-recoveries.

The filing raises, inter alia, issues related to whether the filing complies with the requirements of RSA 374-G, RSA 374-F and RSA 362-F and, if so, whether UES' proposed (i) two-stage framework for reviewing DER investment proposals, (ii) DER project screening program, (iii) DER rate recovery mechanism tariff and (iv) 2009 DER program investments

should be approved. Each party has the right to have an attorney represent them at their own expense.

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

**ORDERED**, pursuant to RSA 378:6, I(b), the Commission hereby suspends UES' proposed tariff to allow the filing to be investigated; and it is

**FURTHER ORDERED**, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on September 18, 2009 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

**FURTHER ORDERED**, that, on September 22, 2009 at 9:00 a.m., UES, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow UES to provide any amendments or updates to its filing; and it is

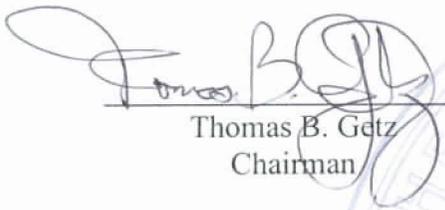
**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.12, UES shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order no later than September 11, 2009 in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before September 18, 2009; and it is

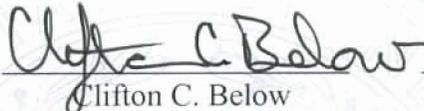
**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to UES and the Office of the Consumer Advocate on or before September 15, 2009, such Petition stating the facts demonstrating how its rights, duties,

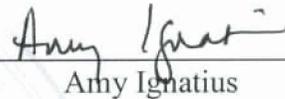
privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32, I(b); and it is

**FURTHER ORDERED**, that any party objecting to a Petition to Intervene make said Objection on or before September 18, 2009.

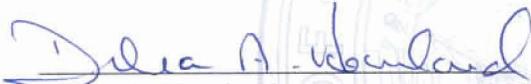
By order of the Public Utilities Commission of New Hampshire this fourth day of September, 2009.

  
Thomas B. Getz  
Chairman

  
Clifton C. Below  
Commissioner

  
Amy Ignatius  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director & Secretary

