

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-292

UNITIL ENERGY SYSTEMS, INC.

Tariff Filing for Step Adjustment for Distribution Energy Resources

Order Approving Tariff

ORDER NO. 25,201

March 4, 2011

Appearances: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On November 1, 2010, Unitil Energy Systems, Inc. (UES or Company) filed tariff pages proposed for effect for service rendered on and after January 1, 2011 to recover its Distributed Energy Resources (DER) investment in the Exeter SAU 16 solar photovoltaic and micro-turbine project. The filing was made pursuant to Order No. 25,111 (June 11, 2010) in Docket No. DE 09-137. In that proceeding, the Commission approved a process requiring UES to first seek approval that the proposed DER investments are in the public interest pursuant to RSA 374-G, and then, in a second step, to seek recovery of the associated costs. In Order No. 25,111, the Commission found UES' investment in the Exeter SAU 16 project to be in the public interest and authorized UES to petition on an annual basis for a step adjustment to its base distribution rates to collect the actual costs associated with the approved project. With the instant filing, UES proposes to implement a step adjustment to recover the costs of the Exeter SAU 16 project.

Included in UES' filing are the Customer Agreement for the project, a derivation of the project revenue requirement, schedules showing how the step adjustment was calculated, and bill impacts from the rate change. According to the Company, the bill impact for a residential customer using 600 kilowatt hours (kWh) per month will be an increase of \$0.04 per month, or an increase of 0.05% on the total bill. UES said the other rate classes would experience similar increases.

On November 11, 2010, the Office of Consumer Advocate (OCA) filed a letter stating that it would participate in this proceeding on behalf of residential ratepayers pursuant to RSA 363:28. The Commission issued order No. 25,170 (November 17, 2010) suspending the tariff and scheduling a hearing for January 5, 2011.

II. POSITIONS OF THE PARTIES

A. Unitil Energy Systems, Inc.

UES testified that, after the Commission approved the DER investment in the Exeter SAU 16 project in Order No. 25,111, it finalized the Customer Agreement with the project developer and the developer completed construction of the facilities. UES also said that it issued letters authorizing the interconnected operation of the micro-turbine and the solar PV array in August of 2010 and that, on or about September 22, 2010, the solar facility achieved its full rated capacity of 100 kW. The Company noted the Commission had also approved the solar installation for the production of renewable energy certificates (RECs).

UES explained that in, calculating the step adjustment, it used as a model the step adjustment process utilized subsequent to the Company's last base rate case in Docket No. DE 05-178. In developing the revenue requirement associated with the DER project, UES included a

return on investment that reflected the 9.67% return on equity authorized by the Commission in UES' most recent distribution rate case. Order No. 24,677 (October 6, 2006), 91 NH PUC 416 in Docket No. DE 05-178. The revenue requirement also reflected an investment cost of \$200,000 plus a 1.0 % factor for general overheads.

UES said it amortized the micro-turbine over 15 years and the PV facility over 20 years. UES also explained that it amortized its start-up expense (costs associated with retaining an outside consultant for Docket No. DE 09-137) over 5 years. UES calculated lost base revenues associated with the project, consistent with the authorization of Order No. 25,111. At hearing, the Company explained that Staff had pointed out that the lost base revenue estimate was based on rates filed in UES's pending rate case (Docket No. DE 10-155). At Staff's request, UES agreed to calculate lost base revenue based on its most recent approved rate case (Docket No. DE 05-178). *See* Order No. 24,677. UES said that the resulting reduction in lost base revenues is insignificant and would not change the projected rate impact. UES testified that, if the Commission approved changes in its distribution rates in its pending base rate case, future DER filings would incorporate the new distribution rates.

The Company also testified that it is not requesting recovery at this time of costs related to ongoing program management and reporting. Finally, UES requested Commission approval of its filing and asked that the rate be made effective in the first month following the Commission's approval.

B. Commission Staff

Staff stated that it had reviewed the filing and concluded that the step adjustment requested by the Company is consistent with RSA 374-G and Order No. 25,111, which approved

the DER investment in the Exeter SAU 16 project. Staff concluded by recommending that the Commission approve the filing with the minor modification regarding the calculation of base revenue losses.

III. COMMISSION ANALYSIS

UES' filing in Docket No. DE 09-137 represented the first utility DER investment made pursuant to RSA 374-G:5, III. When UES' DER investment was approved, UES was authorized to file for recovery of the project costs through a step adjustment to its distribution rates. We have reviewed the filing and find that UES has appropriately calculated the revenue requirement, including amortization of the investment costs, the return on investment, and lost base revenues. Therefore, we find that this filing complies with the requirements of RSA 374-G:5, III and Order No. 25,111.

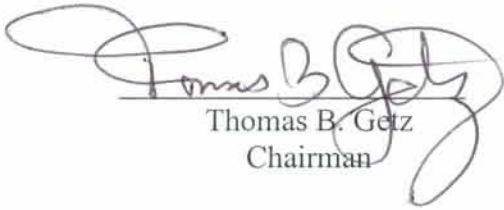
According to UES, the increase to customer rates as a result of the step adjustment will be approximately \$0.04 per month for a residential customer taking 600 kWh per month, or 0.05% on the total bill, with similar bill effects on other customer classes. We find that these rate impacts are reasonable and necessary pursuant to RSA 378:5, 7 and 8. Therefore, we approve the step adjustment with the revised lost revenues estimate presented by UES at hearing.

Based upon the foregoing, it is hereby

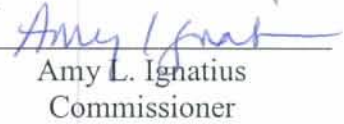
ORDERED, that UES' request for a step adjustment to distribution rates to recover the costs of the Exeter SAU 16 project, as modified to reflect a revised lost revenue estimate, is hereby APPROVED; and it is

FURTHER ORDERED, that UES shall file a conforming tariff pursuant to N.H. Code Admin. Rules Puc 1600 within 30 days hereof.


By order of the Public Utilities Commission of New Hampshire this fourth day of March,
2011.

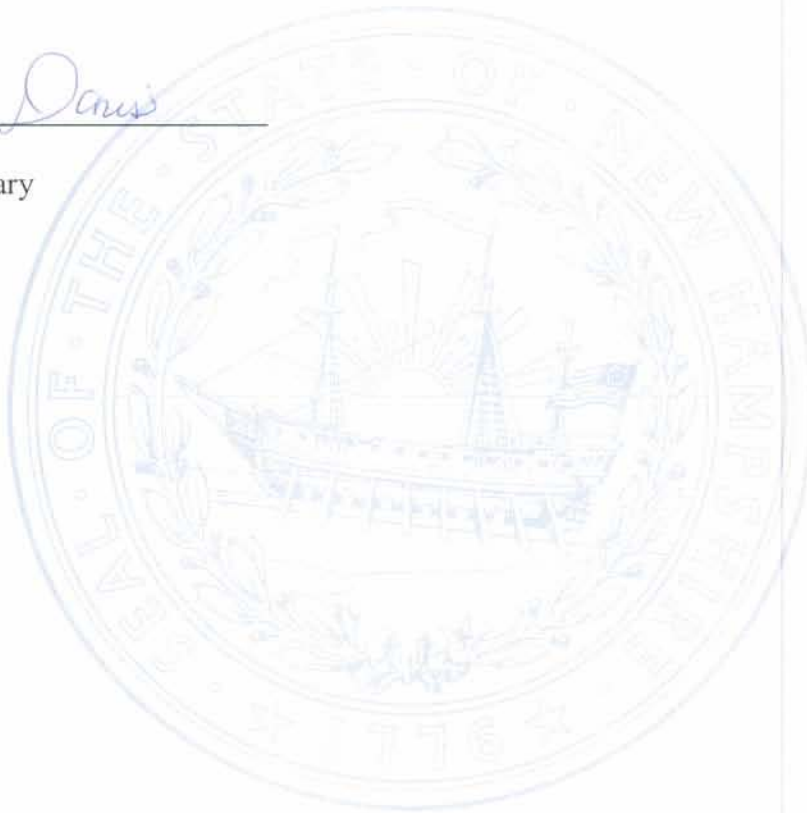

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