

STATE OF NEW HAMPSHIRE

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April 17, 2015

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319

RE: DE 15-078 Unital Energy Systems, Inc.
Petition to Recover Costs of December 2013 Winter Storm

Dear Ms. Howland:

The Office of the Consumer Advocate (OCA) files these comments in response to Unital Energy System's (UES) petition in the above captioned matter.

On April 9, 2015 Public Utilities Commission Staff (Staff) filed their recommendation on the UES request to recover costs of the December 2013 Storm. After Staff's initial consideration of UES' application, Staff recommends conditional approval of the request of UES to recover through the Major Storm Cost Reserve (MSCR), the costs of planning for the December 2013 winter storm. In the memo, Staff acknowledges that the December 2013 winter storm "did not meet the quantitative criteria for inclusion and recovery from the MSCR Fund".

The MSCR mechanism is an extraordinary mechanism, effectively providing for a series of single-issue rate cases. Single-issue rate cases of this nature may be an efficient way to make a utility whole for unanticipated or unusual costs, but single-issue rate increases also provide a measure of potential unfairness, because they provide for rate increases without consideration of other factors that could potentially offset the particular costs identified by the utility. For that reason, the OCA believes that requests made for cost recovery under single-issue rate mechanisms, such as the MSCR, should be reviewed with strict scrutiny.

The OCA reviewed UES Inc. MSCR Fund Report 2014 (February 27, 2015) (MSCR Report). There were 8 storms – one in 2013 and 7 in 2014 - which incurred preparatory costs but only one became a major storm pursuant to the definition of a qualifying major storm. (For a definition of a qualifying storm, see In Re Unital Energy Systems, Inc., Order No 25,214 (April 26,

2011) at 10.) In the MSCR Report UES shows a total of \$1,011,180 for preparatory costs with \$962,406 for preparation costs that arguably were not necessary or were more than necessary due to weather events that were less severe than forecast. Only \$48,774 in preparatory costs were incurred for a storm that met the qualifying storm criteria. Ironically the one qualifying storm under the criteria – Thunderstorm event of July 2, 2014 - was not forecast as hazardous until the morning of the event, (MSCR Report at 31), limiting UES preparation time and also perhaps the preparation cost.

While the OCA is glad that customers did not experience significant outages during these weather events, it raises the concern that UES is over preparing for storm events at a cost higher than necessary. This may be due to a screening tool for predicted storm severity that is too readily met, or that too many line and tree crews are being engaged in preparation before the true nature of the storm is apparent, or it may be that UES vegetation management practices are reducing storm impacts on customers such that extra early preparation is not cost effective. Though pre-staging may be useful on occasion, the cost of over preparedness remains a concern.

The OCA awaits the findings of the Staff audit before taking a position on the petition. The cumulative amount of preparatory costs being incurred should be reviewed as well to determine if the metrics chosen require the company to prepare unnecessarily for storm events, or if UES is over preparing in terms of the number of line and tree crews for pre-staging because the company is not taking the UES vegetation management program into consideration.

Respectfully submitted,



Susan W. Chamberlin
Consumer Advocate

cc: Service list via electronic mail