

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

Unitil Energy Systems, Inc.

Docket No. DE 15-079

**SETTLEMENT AGREEMENT REGARDING IMPLEMENTATION OF THE
VARIABLE DEFAULT SERVICE RATE**

This Settlement Agreement (“Settlement Agreement”) is entered into this 7th day of April, 2015, by and among Unitil Energy Systems, Inc. (“Unitil,” or “the Company”), the Office of the Consumer Advocate (“OCA”), and the Staff of the New Hampshire Public Utilities Commission (“Staff”) (collectively, the “Settling Parties”), and is intended to resolve the specific issues regarding the implementation of the variable default service rate by the Company in the above-captioned docket from the period beginning December 1, 2014 and thereafter, until such time as it may be subsequently changed by Commission Order.

1. BACKGROUND

1.1. Default Service energy supply service is available to all of the Company’s customers who are not served by a competitive supplier or who do not self-supply. Default Service pricing is available in two forms: fixed and variable. Fixed pricing remains the same for six months at a time (effective June 1 and December 1) and is based on the weighted average monthly wholesale price over the six-month period that the Company pays to its Default Service provider(s). Variable pricing changes from month to month reflecting the monthly wholesale price that the Company pays to its Default Service provider(s). Unitil’s Non-G1 customers receiving Default

Service are placed on the fixed Default Service pricing unless they request otherwise.

- 1.2. Pursuant to Unitil's approved Default Service tariff (Schedule DS at First Revised Page 71) Unitil customers *returning* to Default Service from a competitive energy supplier or self-supply during a six-month service period are billed for energy service for the remaining months of the period at Unitil's variable rate default service. For customers *switching* from default service to a competitive supplier, a re-billing at the variable rate is calculated retroactively for the portion of the six month period during which the customer received service in order to reflect the actual cost of the service. As a result, those customers who move to competitive suppliers are either provided a credit or are billed an additional amount for the default service received during the six month default service period, depending upon whether the fixed rate under which they were receiving service was above or below the variable rate.
- 1.3. Prior to December 1, 2014, Unitil did not perform the above-described recalculations, due to the low number of customers moving from Default Service to competitive supply and the relative small difference between the variable rate and fixed rate. However, as the number of options for obtaining competitive supply in Unitil's service area grew and more customers began to move to competitive suppliers, and the difference between the variable and fixed Default Service rate increased, Unitil began to recalculate the bills of customers leaving Default Service as of December 1, 2014.

2. RECOMMENDED TARIFF CHANGES AND BILL CREDIT

- 2.1. The Settling Parties have reviewed Unitil's tariff provisions requiring a recalculation of a customer's bill upon moving from the Company's fixed Default Service Rate to a competitive supplier, and the number of customers who have had their bills recalculated and the dollar amount of such recalculations since December 1, 2014, and have determined that the recalculation requirement appears to be a source of customer confusion and may serve as an impediment to customer choice. Accordingly, the Settling Parties recommend that the Commission approve the following:
- 2.2. The provision of the Company's tariff Schedule DS that requires a recalculation of previous bills when a customer moves to a competitive supplier should be suspended immediately. The Company is to file a tariff revision deleting this provision, effective with the change in Default Service rates on June 1, 2015. The requirement that a customer *returning* to Default Service from a competitive supplier be placed on the variable monthly rate will remain in place.
- 2.3. Each of the Company's Non-G1 customers who moved from Default Service to a competitive supplier or self-supply since December 1, 2014 and received an additional charge as a result of a recalculation of their bills based on the variable rate shall have that charge reversed, in the form of a bill credit. The Company shall notify the Commission and the OCA upon the completion of the bill crediting.

- 2.4. The difference between the fixed and variable rate for customers that moved from Default Service to a competitive supplier or self-supply shall be flowed through to the Default Service account.

3. GENERAL PROVISIONS

- 3.1. This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties is unable to agree with the changes, conditions or findings, this Settlement Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.
- 3.2. Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission, which represents a compromise and liquidation of all issues in this proceeding.
- 3.3. The Settling Parties agree that the Commission's acceptance of this Settlement Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding. Acceptance of this Settlement Agreement by the Commission shall not be deemed to constrain the Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion.

3.4. This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings.

3.5. The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

3.6. This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

3.7. This Settlement Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

4. CONCLUSION

4.1. The Parties affirm that the proposed Settlement Agreement will result in just and reasonable rates and should be approved.

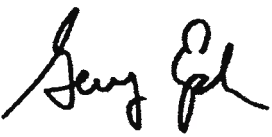
**STAFF OF THE NEW HAMPSHIRE
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OFFICE OF CONSUMER ADVOCATE

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Susan Chamberlin, Consumer Advocate

UNITIL ENERGY SYSTEMS, INC.


By: _____
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