

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** November 18, 2011

**AT (OFFICE):** NHPUC

**FROM:** Grant W. Siwinski  
Utility Analyst III

*SEM*  
*GWS*

**SUBJECT:** DE 11-028, Unitil Energy Systems, Inc.  
Re: Petition for Approval of Default Service Solicitation And  
Proposed Default Service Tariff

**TO:** Chairman Thomas B. Getz  
Commissioner Amy Ignatius  
Debra A. Howland  
Executive Director



### Background

On March 11, 2011, Unitil Energy Systems, Inc. (UES or Company) filed with the Commission a petition requesting approval of its solicitation and procurement of default service rates to supply its large commercial and industrial customers (G1) for the three-month period of May 1, 2011 through July 31, 2011, as well as for one-quarter of its small commercial and residential customers (non-G1) default service power requirements for the two-year period of May 1, 2011 through April 30, 2013. Also in the March 11th filing, pursuant to the Settlement Agreement approved by the Commission in Docket DE 05-064, UES included its 2010 supply-related working capital costs, based on actual supply costs and an agreed upon lead/lag study or its equivalent, to be recovered through Default Service (DS) rates on a fully reconciling basis. This 2010 Lead Lag Study incorporated changes agreed to by UES and the Commission Staff reflected in the settlement letter dated July 16, 2009 filed in Docket No. DE 09-009, and approved by the Commission in Order No. 25,011, issued September 4, 2009. However, based on the limited timeframe to review the study and DS rates in the March 11th filing, Staff recommended conditional approval of the 2010 Lead Lag Study subject to further comment at a future UES default service hearing.

### Analysis

Staff has completed its review of the 2010 study and found that the study results followed the same methodology as in UES's 2009 study filed in DE 10-028. In its review, Staff also verified that UES followed the approaches recommended by Staff and approved by the Commission in DE 09-009. Those approaches were: 1) to remove the mailing time from the meter reading-to-billing calculation, and instead calculate meter reading-to-recording of accounts receivable; 2) to reflect actual procurement experience for test year Renewable Energy Certificates (RECs), and use July 1 of the following year as the due

date for any test year RECs that had not been procured; 3) to reflect actual test year payment experience related to default service contracts in effect for the test year; and, 4) to include the due date in its expense lead calculations for RECs instead of assuming that the REC bills are paid at the beginning of the month.

### **Recommendation**

Staff recommends that the Commission approve UES's 2010 Lead Lag Study and allow the results to be included in rates on a fully reconcilable basis.

If you have any questions, please contact me.