

THE STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

DE 21-030

UNITIL ENERGY SYSTEMS, INC.

PETITION OF UNITIL ENERGY SYSTEMS, INC.

NOW COMES Unitil Energy Systems, Inc. (“UES” or “the Company”) and, pursuant to NH RSAs 378:7, 378:27, 378:28 and 378:29, respectfully petitions the New Hampshire Public Utilities Commission (“the Commission”) for authority to: (1) implement new permanent rates beginning May 2, 2021, for electric service at the levels set forth in its proposed revised tariff filed with this Petition; (2) replace certain pages of UES’s current tariff, NHPUC No. 3, with proposed revised tariff pages; (3) implement a multi-year Rate Plan with three annual step adjustments for certain non-revenue producing capital additions; (4) implement a revenue decoupling mechanism, which the Company has proposed in compliance with Commission Order No. 25,932; (5) implement a Grid Modernization plan that includes a group of foundational grid modernization projects; (6) implement a suite of time of use (“TOU”) rate offerings, an electric vehicle infrastructure development program, and a Marketing, Communications, and Education Plan to engage with customers about the TOU rates and electric vehicle program offerings; (7) implement an Arrearage Management Program and (8) if the Commission suspends the effective date of UES’s permanent rates, implement temporary

rates beginning June 1, 2021 for electric service at rate levels set forth in Supplement No. 2 to NHPUC No. 3. In support of this Petition, UES states as follows:

A. RATE INCREASE AND REVISED TARIFF

1. On March 1, 2021, pursuant to NH RSA 378:3 and New Hampshire Code of Administrative Rules, Puc 1604.05, UES filed a Notice of Intent to File Rate Schedules with the Commission.

2. UES is filing with this Petition revisions to its Tariff NHPUC No. 3 (“the Permanent Rates Tariff”). This Tariff has a proposed effective date of May 2, 2021 and is intended to produce a permanent increase in annual revenues of \$11,992,392, which represents an increase of 4.4 percent in total revenues above present rates after accounting for changes to other reconciling mechanisms. This permanent rate increase results in an overall rate of return of 7.88 percent which is less than the Company’s last allowed rate of return of 8.34 percent. *Unitil Energy Systems, Inc.*, DE 16-834, Order No. 26,007 at 9 (April 20, 2017). The overall rate of return of 7.88 percent includes a requested Return on Equity of 10.00 percent, and a proposed capital structure consisting of 52.91% common equity, 0.10% preferred stock equity, 46.99% long-term debt, and 0.00% short-term debt.

3. Pursuant to NH RSA 378:8 and N.H. Admin. Rule Puc 1600 *et seq.*, UES has filed direct testimony and exhibits in support of the Permanent Rates Tariff and such supplementary information required by the Commission, all of which is incorporated herein by reference.

B. RATE PLAN WITH STEP ADJUSTMENTS

4. UES requests permission to implement a multi-year Rate Plan with three annual step adjustments to recover the revenue requirement associated with certain non-revenue producing capital additions to rate base, including but not limited to planned Grid Modernization investments. These projects are necessary in order to maintain UES's ability to provide safe and reliable electric service to its customers. Under the proposed Rate Plan, it is anticipated that an initial step adjustment will be implemented on the effective date of permanent rates. Thereafter, a second capital project step adjustment will be implemented on April 1, 2023, and a third capital project step adjustment will be implemented on April 1, 2024.

5. The Commission has previously authorized UES to implement a similar series of step adjustments. *See Unitil Energy Systems, Inc.*, DE 16-834, Order No. 26,007 at 18 (April 20, 2017); *Unitil Energy Systems, Inc.*, DE 10-055, Order No. 25, 214 (April 26, 2011). In support of its request for a long-term Rate Plan, UES has filed the direct testimony of Robert Hevert and the joint direct testimony of Christopher Goulding and Daniel Nawazelski.

C. REVENUE DECOUPLING

6. In DE 15-137, the Energy Efficiency Resource Standard ("EERS") docket, the Commission directed UES and other New Hampshire utilities to "seek approval of a decoupling or other lost-revenue recovery mechanism as an alternate to the [Lost Revenue Adjustment Mechanism] in their first distribution rate cases after the first EERS triennium, if not before." *Energy Efficiency Resource Standard*, DE 15-137, Order No. 25,932 at 60 (August 2, 2016). UES filed its last rate case prior to the issuance of Order

No. 25,932 and as such this is the Company's first opportunity to propose a decoupling mechanism since the Commission issued Order 25,932.

7. In compliance with the Commission's directive, UES proposes a full Revenue Decoupling Mechanism ("RDM") that reconciles monthly actual and authorized revenues per customer by rate class. UES proposes that the authorized revenues per customer be adjusted annually to reflect the three step increases on April 1, 2022, April 1, 2023, and April 1, 2024. The proposed RDM will be applicable to all rate classes, except the lighting and proposed electric vehicle rate classes discussed below, and will comprise a two-step process: first, the Company will record monthly variances between actual and authorized revenues per customer for each rate class, then aggregate the monthly variances over the twelve-month period April through March; second, the Company will file the applicable RDM adjustment factor on June 1. The proposed RDM is described at length and supported by the direct testimony of Timothy Lyons of ScottMadden, Inc.

D. GRID MODERNIZATION

8. UES is proposing a group of foundational grid modernization projects to be included within its capital spending plan. "Foundational" projects are required to achieve desired grid modernization outcomes and core functionality. The Company's proposed Grid Modernization Plan covers a span of ten years and is described in and supported by the direct testimony of Kevin Sprague.

E. ELECTRIC VEHICLE AND TIME OF USE RATES

9. UES is proposing a suite of TOU rate offerings, an electric vehicle infrastructure development program ("EV Program"), and a Marketing, Communications, and Education Plan to increase customer awareness of electric vehicles ("EVs") and

engage with customers about the Company’s proposed TOU rates and EV Program offerings. These initiatives are intended to enable adoption of distributed energy resources, transportation electrification, and individualized energy management to reduce carbon emissions from the electricity sector while providing savings for UES customers.

10. The Company’s proposed TOU rates include: (1) a domestic “whole-house” TOU (TOU-D); (2) a domestic EV TOU (TOU-EV-D); (3) a small general service EV TOU (TOU-EV-G2); and (4) a large general service EV TOU (TOU-EV-G1). The development of these rates was informed by the Commission’s findings in Order 26,394 that resulted from IR 20-004, *Investigation of Electric Vehicle Rate Design Standards, Electric Vehicle Time of Day Rates for Residential and Commercial Customers*, and the ongoing EV TOU proceeding DE 20-170, *Electric Vehicle Time of Use Rates*.

11. The proposed EV Program contains two initiatives: (1) a behind-the-meter partnership program to incentivize residential customers to procure and install smart Level 2 electric vehicle supply equipment for charging at their homes, and (2) a public “make-ready” EV infrastructure program to expand the availability of charging stations in New Hampshire. The Marketing, Communications, and Education Plan consists of two parts: (1) a Consumer EV Education Campaign, which will increase awareness of and inform the Company’s customers about the benefits of EVs, options for home and public charging, and the proposed EV TOU rates; and (2) a Consumer EV Marketing and Promotion Program that will focus on creating experiential learning opportunities for customers, partnerships with EV dealerships, and partnerships and incentives/rebates with behind-the-meter EVSE vendors.

12. UES has submitted the joint direct testimony of Cindy Carroll, Carleton Simpson, and Carol Valianti in support of its proposed TOU rates, EV Program, and Marketing, Communications, and Education Plan.

F. ARREARAGE MANAGEMENT PROGRAM

13. UES is also proposing an Arrearage Management Program (“AMP”) for residential financial hardship customers who are struggling to pay their electric bills. The AMP will offer qualifying residential customers of UES immediate relief to reduce their current and future energy burdens through a flexible payment arrangement and arrears forgiveness program. The Company’s AMP offering will also provide assistance to improve the customer’s ability to better manage their payments more effectively. The direct testimony of Carole Beaulieu supports UES’s proposed AMP.

G. TEMPORARY RATES

14. Pursuant to NH RSA 378:6, the Commission may suspend the effective date of UES’s permanent rates Tariff pending an investigation by the Commission under NH RSA 378:5 into the reasonableness of the Permanent Rates Tariff. If the Commission suspends UES’s permanent rates Tariff, UES requests that temporary rates be established in accordance with NH RSA 378:27, which provides that the Commission may, after reasonable notice and hearing, if the public interest so requires, prescribe reasonable temporary rates for the duration of a rate proceeding, sufficient to yield not less than a reasonable return on the cost of the utility’s property used and useful in service to the public, less accrued depreciation.

15. UES requests that if such temporary rates are set, they be established at the levels set forth in Supplement No. 2 to NHPUC No. 3, commencing with service

rendered on June 1, 2021 and until the date a final, non-appealable order establishing permanent rates is issued. The requested temporary rates represent an increase of \$5,812,761 in annual revenues, or 2.7 percent above present revenues. As shown in Attachment 1, UES proposes to recover this increase on a uniform per kWh basis from all rate classes. In support of this request, UES notes that during the twelve months ended December 31, 2020 (i.e., the test year underlying the Permanent Rates Tariff), UES earned a return on equity of approximately 6.4 percent. This amount is substantially lower than UES' authorized return on equity of 9.50 percent, and indicates that UES's current rates are causing earnings attrition.

16. UES is seeking a temporary rate increase in lieu of establishing temporary rates at current levels in order to expeditiously address the above-described earnings attrition. In addition, because the Company's under-earning situation is expected to be exacerbated by increased expenditures over the next several months, UES is in immediate need of the level of temporary rate relief indicated above. Furthermore, granting a temporary rate increase will provide for a smoother transition from current to permanent rates and will lessen the size of the difference between temporary and permanent rates to be collected from customers at the conclusion of the permanent rate case.

WHEREFORE, UES respectfully requests that the Commission:

- A. Issue an order of notice which schedules a hearing upon the within Petition;
- B. Following an investigation pursuant to RSA 378:5 of the reasonableness of the proposed rates and revised tariffs filed with this Petition, enter an order authorizing UES to implement such proposed rates and tariffs as permanent effective for service rendered on and after May 2, 2021;

C. If the Commission suspends UES's permanent rates Tariff, establish temporary rates in accordance with NH RSA 378:27, and, following a hearing, enter an order authorizing temporary rates at the levels set forth in Supplement No. 2 to NHPUC No. 3 for service rendered on and after June 1, 2021, until the date a final, non-appealable order establishing permanent rates is issued;

D. Pursuant to RSA 378:29, in the event that permanent rates, once determined by the Commission, exceed temporary rates, enter an order authorizing UES to collect the difference from customers;

E. Enter an order authorizing UES to implement the Step Adjustments as proposed herein; and

F. Grant such further relief as may be just and appropriate.

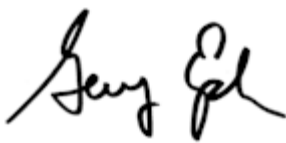
Respectfully submitted,

UNITIL ENERGY SYSTEMS, INC.

By its Attorneys:



Patrick H. Taylor
Senior Counsel



Gary Epler
Chief Regulatory Counsel

Unitil Service Corp.
6 Liberty Lane West
Hampton, NH 03842-1720

Dated: April 2, 2021

Certificate of Service

I hereby certify that on this 2nd day of April, 2021, a copy of the foregoing Petition was electronically delivered to the Office of Consumer Advocate.

A handwritten signature in black ink, appearing to read 'P. H. Taylor', written over a horizontal line.

Patrick H. Taylor

Unitil Energy Systems, Inc.

Proposed Temporary Rate

Temporary Rate Increase	\$5,812,761
Test Year kWh Sales	1,160,418,601
Temporary Rate \$/kWh	\$0.00501