

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

**DE 21-121
DE 21-069
DE 20-183**

UNITIL ENERGY SYSTEMS INC.

**Annual Stranded Cost and External Delivery Charge Rate Filing
Petition for Approval of Rate Recovery Mechanism for Property Taxes**

Order Following Hearing

ORDER NO. 26,500

July 29, 2021

This order approves Unitil's stranded cost charge and external delivery charge reconciliation, with rates effective on and after August 1, 2021. This order also approves Unitil's proposed rate recovery mechanism for property taxes under RSA 72:8-e. The rate impact of this order for average residential customers using 650 kilowatts of electric energy per month will be a decrease of 3.4 percent, or \$3.98 per month.

I. PROCEDURAL HISTORY

On November 11, 2020, and April 4, 2021, respectively, Consistent with Order No. 26,388 (July 31, 2020) addressing Unitil's 2020 Annual Stranded Cost and External Delivery Charge Rate Filing, Unitil Energy System, Inc. (Unitil) filed its proposed budgets and the reconciliation for the prior year's actual costs related to its: 1) Storm Resiliency Program (SRP); 2) Vegetation Management Program (VMP); and 3) Reliability Enhancement Program (REP). The Commission created Docket No. DE 20-183 for these filings. These program's costs are reconciled through Unitil's external delivery charge (EDC). *See* Order of Notice, Dockets DE 21-069 and DE 20-183, July 19, 2021.

On March 29, 2021, Unitil Energy Systems, Inc. (Unitil) filed a petition for approval of a rate recovery mechanism for property taxes. Unitil's petition proposed a new property tax recovery mechanism for the recovery of the increase in property taxes associated with a change in RSA 72:8-d and 72:8-e. The Commission docketed this request in Docket No. DE 21-069, issued an Order of Notice, and scheduled a hearing. *Id.*

On June 17, 2021, Unitil filed its annual reconciliation of adjustable rate mechanisms, along with supporting testimony, exhibits, and a proposed tariff. The adjustable rate mechanisms include Unitil's stranded cost charge (SCC) and EDC. The Commission docketed the petition as Docket No. DE 21-121, suspended the tariff, and scheduled a hearing. *See* Order No. 26,499 (July 19, 2021). A hearing was held on DE 21-121, 21-069, and 20-183 as scheduled on July 23, 2021.

Unitil's petitions and related filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-183.html>, <https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-069.html>, and <https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-121.html>, respectively.

II. POSITIONS OF THE PARTIES

A. Unitil

In its petition, Unitil proposed tariff changes for effect with services rendered on and after August 1, 2020. The proposed changes result in an overall average bill decrease for a residential customer on default service using 650 kilowatts of electric energy per month of 3.4 percent, or \$3.98 per month.

i. Stranded Cost Charge

Unitil's stated its stranded cost charge (SCC) recovers contract release payments that Unitil pays to Unitil Power Corp. (UPC) in accordance with the Amended Unitil System Agreement, which was approved in *Concord Electric Company*, Order No. 24,072 (October 25, 2002). The contract release payment amount is made up of a portfolio sale charge, residual contract obligations, Hydro Quebec (HC) interconnection facility support payments, and true-ups from prior periods. Unitil explained that although UPC is no longer required to support HQ interconnection facilities as of October 2020, it still has ongoing contractual obligations with Eversource and NationalGrid relating to HQ transmission facilities, which it intends to seek to terminate. The HQ support payments include all costs incurred by UPC, offset by revenues received from open access transmission tariffs through ISO New England.

Unitil represented the net result of the HQ obligations and current-year true up on SCC rates for August 2020 through July 2021 is an estimated credit to customers of \$21,266.

According to Unitil, the SCC obligation is calculated by developing a uniform per kWh charge, applied equally to all customer classes. From this uniform charge, energy and demand based rates are designed for customers in the G1 and G2 classes. According to the filing, the SCC uniform rate is a credit of \$0.00002 per kWh. This is an increase of \$0.00023 per kWh from the prior rate.

ii. External Delivery Charge

Unitil represented the EDC primarily recovers costs associated with transmission services including: (1) third-party transmission provider costs (Eversource Energy Network Integration Transmission Service and Eversource Energy Wholesale Distribution); (2) regional transmission and operating costs; (3) working capital associated with other flow-through operating expenses;

(4) transmission-based fees and assessments; and (5) various administrative, consulting, and legal costs. Unitil also included in its EDC rate other costs and credits, such as the over- or under-collection associated with the reliability enhancement and vegetation management programs, net metering costs and credits, Regional Greenhouse Gas Initiative Auction Proceeds, and displaced distribution revenue. Unitil proposes to include costs associated with its proposed property tax adjustment mechanism in the EDC.

During the hearing, in response to questioning from the Department of Energy (Energy) regarding the reasonableness of Unitil's working capital requirement applied to transmission costs, Unitil noted that the 45 days used in its calculations is a component of a settlement agreement in Docket No. DE 10-055. Unitil argued that it would be inappropriate to modify a settlement term outside the context of a full rate case, and that if Energy or another party raises the issue in its ongoing distribution rate case then it would be addressed in that context.

In addition, Unitil represented the EDC includes the over- or under-collection from Unitil's REP, VMP, and SRP, which Unitil calculated was an over collection of \$179,614. The hearing included review of the REP, VMP, and SRP programs, including Unitil's REP and VMP Program Plan for Fiscal Year 2021 and REP and VMP Report for Fiscal Year 2020, both of which were filed in Docket No. 20-183 and admitted as hearing exhibits.

Unitil calculated a transmission-only factor charge of 3.113 cents per kWh, and a non-transmission factor of negative 0.135 cents per kWh. The proposed total EDC rate of 0.2978 cents per kWh represents a decrease of 0.635 cents per kWh as compared with August 2020 through July 2021.

iii. Local Property Tax Adjustment Mechanism

Unitil requested the Commission approve the property tax recovery mechanism it proposed in its March 29, 2021 filing. According to Unitil, its reconciling mechanism would be easy to implement on an annual basis, incorporating all local building and utility plant tax assessments as an input to its existing EDC mechanism.

B. Department of Energy

Energy recommended approval of the SCC and EDC rates as proposed. However, at hearing, Energy questioned the reasonableness of a 45 day working capital requirement for transmission costs.

Energy recommended that on a going forward basis an updated working capital requirement for transmission costs should be applied. Energy opined that a lead-lag study occurring in Unitil's ongoing distribution rate case could be used to help determine a more reasonable working capital requirement, which should be applied to Unitil's future EDC calculations. Finally, Energy recommended approval of the local property tax adjustment mechanism as proposed.

III. COMMISSION ANALYSIS

We find that Unitil has appropriately calculated changes to the SCC and EDC adjustable rate mechanisms, consistent with Order No. 24,072 (October 25, 2002). We are satisfied that the SCC and the EDC rates proposed by Unitil are just and reasonable pursuant to RSA 374:2 and RSA 378:7. We approve the rate changes as proposed by Unitil for effect with services rendered on and after August 1, 2021.

Regarding Unitil's working capital requirement for transmission costs, we believe it is important for working capital to be accurate. Given that it has been eleven years since the

settlement agreement cited by Unitil as the basis for the 45 day figure, with a rate case in the interim, we agree that best way to determine an accurate figure would be through a lead-lag study. While we approve the rate with the fixed 45 day lag at this time, we will consider the issue in the upcoming rate case, and anticipate moving to a more accurate working capital number moving forward.

With respect to the Property Tax Adjustment Mechanism, we find its terms described in the petition and tariff language to be consistent with the requirements of RSA 72:8-e, and find the incorporation and reconciliation of the local property tax expenses through the EDC mechanism to be acceptable. *See* RSA 72:8-e, II.

The Commission reminds the parties that due to recent statutory changes the Commission may not communicate with Department of Energy Staff on pending matters. *See* RSA 12-P:5, VI and, *see generally*, RSA 363:12. As a result, the Commission may lack access to information made available for Department of Energy unless it is directly filed in the Commission's relevant open docket.

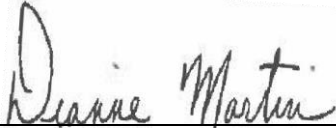
Based upon the foregoing, it is hereby

ORDERED, that the request by Unitil Energy Systems, Inc., for adjustment to the stranded cost charge and external delivery charge rates, for effect on a service-rendered basis on August 1, 2020, is hereby APPROVED; and it is

FURTHER ORDERED, that the request by Unitil Energy Systems, Inc., for Approval of Rate Recovery Mechanism for Property Taxes is hereby APPROVED; and it is

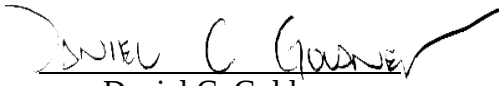
FURTHER ORDERED, that Unitil Energy Systems, Inc., shall file revised tariff pages conforming to this order within 15 days hereof, pursuant of N.H. Admin. R., Part Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of
July, 2021.



Dianne Martin

Chairwoman



Daniel C. Goldner

Commissioner

Service List - Docket Related

Docket# : 21-121

Printed: 7/29/2021

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Service List - Docket Related

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