

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

**Docket No. DE 22-008  
Unitil Energy Systems, Inc.  
Calendar Year 2021 Major Storm Cost Reserve Fund Report**

Technical Statement of Mark P. Toscano and Stephen R. Eckberg  
Department of Energy, Division of Regulatory Support

September 2, 2022

The Department of Energy (DOE) has reviewed the annual *Major Storm Cost Reserve Fund Report 2021* (“2021 Report”), filed by Unitil Energy System Inc. (“UES” or “the Company”) on February 28, 2022, and the Final Audit Report (“Audit Report”) issued by DOE’s Enforcement Division on May 13, 2022. UES is requesting to recover costs related to five qualifying major storm events whose direct costs UES reported as totaling \$521,639. The 2021 Report provides reconciliation detail on the Company’s Major Storm Cost Reserve (MSCR) fund and on the Storm Recovery Adjustment Factor (SRAF) which, during 2021, completed the approved three-year collection of funds related to an extraordinary storm event in October 2017 and continued the approved collection of funds related to a separate extraordinary storm event which occurred in March 2018. The Company reported its MSCR fund balance as of December 31, 2021, to be in a deficit (under-collected) position of (\$3,140,898).

As described herein, in the opinion of the DOE, the 2021 Report is accurate as filed on February 28, 2022, with exceptions as identified in DOE’s May 13, 2022, Audit Report. The DOE recommends that the Commission accept and approve the 2021 Report, with exceptions as identified in the Audit Report, specifically, to accept and approve the MSCR balance as (\$3,073,272). In the opinion of the DOE, if the Commission accepts this DOE’s recommendation, and approves recovery from the MSCR as stated, no further process is necessary, and the docket may be closed.

**Procedural Background**

On February 28, 2022, UES filed its annual report for calendar year 2021 in this docket.<sup>1</sup> The Company explained that this filing is made pursuant to the Company’s Rate Plan Settlement in Docket No. DE 10-055, as approved by Commission in Order 25,214 (April 26, 2011) and in Order 25,351 (April 24, 2012) (Dkt. No. DE 11-277) (Order requiring UES to file annual reports on the storm reserve fund and storm recovery updates for those storms where costs are recovered through the

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<sup>1</sup> References to the reserved amounts will be to the “Major Storm Cost Reserve,” (MSCR), consistent with UES’s filing and DOE’s Audit Report. For clarity, the DOE notes that the Commission has referenced the actual report as the “MSCRF Report.” See Commission’s Procedural Order (April 25, 2022) (Emphasis added). It appears that the references to “MSCR” and “MSCRF” are essentially interchangeable.

SRAF); Order No. 25,502 (April 29, 2013) (Dkt. No. DE 13-065 (revising Settlement terms) 2021 Report at 2. In a Procedural Order issued August 18, 2022, the Commission directed DOE to advise the Commission by September 2, 2022, concerning the date on which the DOE Audit Report and DOE recommendation on the 2021 Report would be available and filed. This Technical Statement and the attached Audit Report, included as Attachment 1, address that requirement.

## **History of the MSCR and SRAF**

The Major Storm Cost Reserve (MSCR) is intended to provide for recovery of advance preparation and/or recovery costs of qualifying major storms, which are more significant than standard weather events. The Commission-approved MSCR annual amount of \$800,000 is included in the Company's base distribution rates. The Storm Recovery Adjustment Factor (SRAF)<sup>2</sup> is intended to recover costs associated with infrequent storms of extraordinary magnitude on an individual basis. Individual storms that may qualify for amortized recovery via the SRAF are the subject of specific Commission review and then, if approved by the Commission, a storm specific amortization amount, period, and rate. *See, e.g.*, Order No. 26,123 (April 30, 2018), and Order No. 26,236 (April 22, 2019) in Dockets No. DE 18-036, and DE 19-043, respectively (approve amortizations of costs related to specific storms of extraordinary magnitude).

## **DOE's Analysis and Recommendation**

The DOE's analysts reviewed each section of the 2021 Report; reviewed the DOE Audit Report; met with the Enforcement Division audit team to discuss both the 2021 Report and the Audit Report; confirmed additional details with the audit team related to determination of major storm status for each storm whose costs are included in the MSCR; confirmed the storm amortization rates comprising the SRAF rate; and met with the Company.

There are costs from five (5) major storm events included in the 2021 Report. Audit confirmed, and Regulatory Staff concur, each event was appropriately categorized by the Company as a major storm event. Audit identified in Audit Issue #1 that there were four (4) invoices totaling \$37,794 that were charged to the MSCR for the March 1, 2021, wind storm event, but with reported service dates in other months. Audit recommended the four charges be removed from the MSCR. The Company agreed with this recommendation. Further, as a result of Audit's inquiry on this issue, the Company identified a total of ten (10) additional invoices totaling \$29,832 that were incorrectly posted to the March 1, 2021, wind storm event. The Company agreed to reclassify both groups of expenses totaling \$67,626 as non-storm related.

The 2021 Report states that "Beginning May 1, 2022, the SRAF will decrease by \$0.00047 per kWh." 2021 Report at 2. Audit verified that the SRAF rate in effect for January – April 2021 was \$0.00084 per kWh per Tariff page 69 effective May 1, 2019. Effective April 31, 2021, a portion of the SRAF collection rate expired, and the rate was reduced by \$0.00037 per kWh resulting in an SRAF rate of \$0.00047 per kWh. The rate of \$0.00047 per kWh was approved in Order No. 26,236 (April 22, 2019) for a three-year period from May 1, 2019 through April 30, 2022. The DOE analysts confirmed these are appropriate rates for 2021 as two approved storm amortization rates were in

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<sup>2</sup> See Unitil Energy Systems, Inc Tariff No. 3, Ninth Revised Page 69 and Original Page 69-A

effect. The 2021 Report states further “[t]he resulting SRAF effective May 1, 2022 is \$0.00000 per kWh, as there will be no storms being recovered through the SRAF.” 2021 Report at 2.

The DOE Enforcement Division’s audit team reviewed the 2021 SRAF recovery to evaluate revenues collected via the authorized SRAF rates and noted an earlier over-collection credit balance of (\$201,590) related to the completion of amortizations for the 2008 ice storm and February 2010 wind storm. The audit team reviewed the 2019 SRAF model and verified the costs related to these specific weather events were fully recovered. The Company estimated that the net over-collection will be approximately (\$201,590). Audit verified the (\$201,590) over-collection related to these earlier two extraordinary storm events included a (\$25,361) increase over the June 2019 over-collection credit balance of (\$176,229) was due to the inclusion of accrued carrying charges.

The audit team inquired about the 2021 over-collection SRAF reconciliation balance. The Company stated in March 2022 that it filed to reduce the SRAF rate from \$0.00047/kWh to \$0.00000/kWh reflecting the end of the three-year recovery of costs associated with the March 2018 Winter Storm Quinn. At that time, the Company further stated it planned to include the total SRAF reconciliation balance (the prior over-collection amount plus the ending balance of the more recent storm amortizations) in the External Delivery Charge (“EDC”) filing. DOE understands that the SRAF ending balance as of December 31, 2021, is accurately reported on page 4 of the 2021 Report as \$130,419, which represents an under-collection. Therefore, the total SRAF balance which combines the earlier over-collection of (\$201,590) and the completed amortizations of these more recent events is a balance of (\$72,556) proposed for inclusion in the EDC. The EDC matter was filed with the Commission on June 20, 2022, docketed as DE 22-038, and includes the SRAF over-collection described herein. See DE 22-038 Bates 24 Schedule LSM-2 Page 4 of 7, footnote 1 which says, “Beginning balance includes the following items...” which includes “(\$72,556) Forecasted July 31, 2022 SRAF balance.” DOE Regulatory Staff finds this to be an acceptable approach.

Based on the DOE Audit finding, Audit Issue #1, and the Company’s subsequent review, the originally reported MSCR ending deficit balance of (\$3,140,898) as of December 31, 2021, on Page 3 of the 2021 Report should be adjusted by \$67,626, for an MSCR adjusted final balance of (\$3,073,272). This is provided on Page 20 of the DOE Audit Report.

## **Conclusion**

In conclusion, the DOE recommends that the Commission approve the 2021 Report with the modifications identified in Audit Issue #1 in the Audit Report such that the effective MSCR balance at 12/31/2021 is \$(3,073,272). In the opinion of the DOE, if the Commission approves this revised balance, no further process is necessary, and the docket may be closed.