

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-038

UNITIL ENERGY SYSTEMS, INC.

Annual Stranded Cost and External Delivery Charge Rate Filing

Order Approving Petition

O R D E R N O. 26,655

July 28, 2022

In this order, the Commission approves UES's Stranded Cost Charge and External Delivery Charge rate reconciliations, with rates effective on and after August 1, 2022. This order also includes UES's rate recovery mechanism for property taxes under RSA 72:8-e, and a new External Delivery Charge component related to net metering. The rate impact of this order for average residential customers using 650 kilowatt-hours (kWh) of electric energy per month will be a decrease of 2.1 percent, or \$2.87 per month.

I. PROCEDURAL HISTORY

On June 20, 2022, Unitil Energy Systems, Inc. (UES, or the Company) filed a petition requesting the Commission to approve charges to two adjustable rate mechanisms, the Stranded Cost Charge (SCC) and External Delivery Charge (EDC), based in part on the Company's annual reconciliation of the costs and revenues associated with each, and corresponding changes to its tariffs. This filing also included the Company's accounting for, and petition for recovery of, qualifying property tax-related expenses in its Property Tax Rate Recovery Mechanism (RRA), pursuant to the terms of RSA 72:8-e and Order No. 26,500 (July 29, 2021). UES has proposed changing the EDC, effective June 1, 2022, to recover a new category of costs: all net

metering and group host costs, with corresponding offsets for any wholesale market revenue in the ISO-New England energy market attributable to net-metered facilities.

On June 29, 2022, the Commission issued Order No. 26,646, suspending UES's proposed tariffs relating to this matter pursuant to the terms of RSA 378:6, I(b), pending the Commission's investigation, and scheduling a hearing for July 20, 2022.

This hearing was held as scheduled on July 20, 2022, where representatives of the Company and the New Hampshire Department of Energy (DOE) appeared. There were no intervenors.

The petition and subsequent docket 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/2022/22-038.html>

II. POSITIONS

A. UES

As part of its petition, UES provided the written testimony of several employees of Unitil Service Corp., UES's service-company affiliate: Linda S. McNamara, Senior Regulatory Analyst; Lisa S. Glover, Senior Energy Analyst; Daniel J. Hurstak, Controller¹; Daniel T. Nawazelski, Manager of Revenue Requirements; and Christopher J. Goulding, Director of Rates and Revenue Requirements. The Company also provided its proposed tariffs associated with this petition and supporting schedules.

See Hearing Exhibit 1.

As explained by the Company in its petition, UES uses the SCC to recover the contract release payments that it makes to Unitil Power Corp.² (UPC) under the

¹ Mr. Hurstak is also Chief Accounting Officer for Unitil Corporation and Controller for UES.

² Unitil Power Corp. is a wholesale supplier and affiliate of Unitil. *See* Order No. 26,646 at 2.

Amended System Agreement, approved by the Commission in *Concord Electric Company*, Order No. 24,072 (October 25, 2002) and by the Federal Energy Regulatory Commission, through which the Company recovers UPC's stranded costs from retail customers. Order No. 24,072 at 41; *see also* Hearing Exhibit 1, Testimony of Linda S. MacNamara, June 17, 2022, at Bates Page 4 (McNamara Testimony).

Further detail regarding the components of the SCC was provided by Ms. Glover's testimony. The contract release payment amount is made up of a portfolio sale charge, residual contract obligations, Hydro Quebec (HQ) interconnection facility support payments, and true-ups from prior periods. UES explained that although UPC is no longer required to support HQ interconnection facilities as of October 2020, the Company still has ongoing contractual obligations with Eversource and National Grid 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. Hearing Exhibit 1, Testimony of Lisa S. Glover, June 17, 2022.

UES explained in its petition that the SCC is calculated by adding the total over- or under-recovery as of July 31, 2022 to the estimated SCC costs and associated interest from August 2022 through July 2023 and dividing this sum by the estimated calendar month energy sales (in kWh) for August 2022 through July 2023 period. Hearing Exhibit 1, Testimony of McNamara Testimony at Bates Page 15. Given the small size of the sum – as the collection through both volumetric rates and demand charges would have resulted in a volumetric rate of \$0.00000 per kWh for both G2 and G1 and demand charges of \$0.00 per kW for G2 and \$0.00 per kVA for G1 – the Company recommended that only a uniform per kWh rate be implemented across classes. That calculation results in an increase of 0.004 cents per kWh from the prior

SCC credit of 0.002 cents per kWh. *Id.* at 5-6. UES's proposed revised tariff would provide for a uniform SCC charge of 0.002 cents per kWh.

UES represented that 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 (ISO-New England) 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. McNamara Testimony at Bates Page 7.

Other cost elements applied to the EDC may include: over- or under-collection from the Company's Vegetation Management Program (VMP) and Reliability Enhancement Program (REP); a rebate of excess Regional Greenhouse Gas Initiative auction proceeds; special assessments associated with the expenses of experts retained by the DOE and the Office of the Consumer Advocate. McNamara Testimony at Bates Pages 7-8.

Among other adjustments, UES's proposed EDC includes adjustments for the Company's Storm Recovery Adjustment Factor final reconciliation balance, which is a credit of \$72,556. McNamara Testimony at Bates Page 10. UES has proposed that the proposed EDC would not include a credit to incorporate the VMP-REP overcollection of \$531,278, as under the terms of the Company's proposal, this over-collection would be rolled over to the 2022 VMP-REP program year to fund 2021 cycle trim carryover work. *Id.* at 8; *see also* June 8, 2022 Letter from Company filed in Docket No. DE 21-139.

Furthermore, in 2021, the Commission approved use of the EDC to recover and reconcile local property tax expenses. *See Unitil Energy Sys., Inc.*, Order No. 26,500, at

6 (July 29, 2021). Mr. Nawazelski's testimony outlined the Company's request to recover \$103,973 in 2021 property tax expense not otherwise recovered in rates through the EDC. The EDC proposal by the Company also incorporated the results of UES's 2021 EDC Lead-Lag Study, as elaborated by the testimony of Mr. Hurstak. The Company requested that the 2021 Lead-Lag study be used to derive the Transmission and Non-Transmission related cash working capital amounts included in EDC rates beginning August 1, 2022. Hurstak Testimony at Bates Page 389.

In the testimony of Ms. McNamara and Mr. Goulding, the Company advocated for the inclusion of what it described as "displaced distribution revenue" associated with net metering for the prior period for recovery in the EDC. See McNamara Testimony; Hearing Exhibit 1, Testimony of Christopher J. Goulding, June 17, 2022. These costs would include all net metering and group host costs, with corresponding offsets for any wholesale market revenue attributable to net metered facilities. McNamara Testimony at 10-11. Ms. McNamara testified that this change would be consistent with recent legislation and the Commission's Order No. 26,450 (January 29, 2021), issued in Docket No. DE 20-136, in which the Commission approved a settlement agreement permitting Public Service Company of New Hampshire d/b/a Eversource Energy to recover these costs through a charge applicable to all customers rather than just default service customers. *Id.* Mr. Goulding testified that the 2021 "displaced distribution revenue" figure sought by UES for inclusion in the EDC was \$177,575. Hearing Exhibit 1 at Bates Page 79.

In Docket No. DE 18-029, the Commission approved changes to UES's tariff that divided the EDC into transmission and non-transmission components, so that UES could properly bill and credit its net metering customers taking service under its alternative net metering tariff. A majority of UES's customers are billed the total EDC.

McNamara Testimony at Bates Page 12. UES calculated the transmission-only factor as 2.909 cents per kWh and the non-transmission factor as a credit of 0.376 cents per kWh. *Id.* UES's proposed revised tariff would provide for a total EDC rate of 2.533 cents per kWh, a decrease of 0.445 cents per kWh compared to the current EDC rate of 2.978 cents per kWh. *Id.* at 12-13.

The Company indicated that, if the Commission were to approve its proposed adjustments to the SCC and EDC, the average monthly bill for a residential customer on default service using 650 kWh a month would decrease by approximately 2.1 percent, or by \$2.87 monthly. McNamara Testimony at Bates Pages 15-16; Hearing Exhibit 1, Schedule LSM-4, at 4. The average monthly bills for other rate classes- General Service (G2), Large General Service (G1), and Outdoor Lighting (OL) would decrease by 2.3, 2.6. and 1.2 percent, respectively. *Id.*

At the July 20, 2022, hearing, UES presented the oral testimony of Mss. Glover and McNamara, and Messrs. Goulding, Hurstak, and Nawazelski. UES requested at hearing that the Commission approve its SCC/EDC rate proposals as just and reasonable. The Company also opposed the modification proposals outlined by the Department of Energy (DOE), as discussed below, to the Company's request to apply the \$531,278 VMP-REP over-collection to 2021 carryover trim work, and to have the results of the Lead-Lag study be applied to EDC rates effective on August 1, 2022. The Company advocated that both elements of its proposal were consistent with its tariff and relevant settlement agreements.

B. Department of Energy

At the July 20, 2022, hearing, the DOE stated that it was generally supportive to the Company's filing in this docket. However, the DOE recommended two modifications to the Company's proposal. First, DOE requested that the 2021 Lead-

Lag study results be applied to EDC rates as of the effective date of the distribution rate order in Docket No. DE 21-030, June 1, 2022, as opposed to the Company's proposal of August 1, 2022. Also, the DOE recommended that instead of being rolled over to fund the 2021 carryover work, the \$531,278 in VMP-REP overcollection monies should be refunded to customers, to serve as an offset to EDC rates.

III. COMMISSION ANALYSIS

We find that UES has appropriately calculated changes to the SCC and EDC adjustable rate mechanisms, including the Property Tax RRA, with the incorporation of the 2021 EDC Lead-Lag Study, consistent with the requirements of Orders Nos. 24,072 and 26,500, and all applicable statutory standards. We are satisfied that the SCC and EDC rates proposed by UES are just and reasonable pursuant to RSA 374:2 and RSA 378:7. We approve the rate changes as proposed by UES for services rendered on and after August 1, 2022. We also specifically endorse the Company's approach of applying the Lead-Lag Study results as of August 1, 2022, the beginning of the 2022 EDC rate year, as consistent with the Settlement Agreement in Docket No. DE 21-030. Syncing the effective date of the Lead-Lag study with the effective date of the EDC rate makes administrative sense. Furthermore, we approve rollover of the \$531,278 in VMP-REP overcollection monies to fund the 2021 carryover work contemplated by the Company, as an efficient way of covering ongoing program needs, subject to reconciliation.

Regarding the net-metering related proposal by the Company, to be applied to the EDC, we concur with UES that this modification would be appropriate, and in line with the practice by peer New Hampshire utilities, and therefore approve it with an effective date of June 1, 2022, for accounting purposes. *See also* Order No. 26,450 (January 29, 2021).

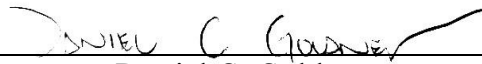
Based upon the foregoing, it is hereby

ORDERED, that the request by Unitil Energy Systems, Inc., for adjustment to the Stranded Cost Charge and External Delivery Charge rates, including the Property Tax Rate Recovery Mechanism component, for effect on a service-rendered basis on August 1, 2022, is hereby APPROVED subject to reconciliation of the VMP rollover; and it is

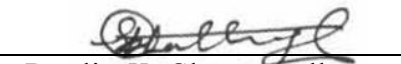
FURTHER ORDERED, that the request by Unitil Energy Systems, Inc., for approval of the modification of the External Delivery Charge rate mechanism to include qualifying net-metering and group host displaced distribution revenue costs (2021 costs amounting to \$177,575), pursuant to the terms of the Company's proposed tariff, with an effective date of June 1, 2022, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc. shall file tariff pages as required by N.H. Code Admin. Rules Part Puc 1603, conforming to this order within 15 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of July, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket# : 22-038

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