

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Unitil Energy Systems, Inc.

DE 24-077

**Petition for Approval of Revenue Decoupling Adjustment Factor and Proposed
Tariff Changes**

**and
DE 24-080**

**Petition for Approval of Annual Stranded Cost Recovery and External
Delivery Charge Reconciliation and Proposed Tariff Changes**

Technical Statement of
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Regulatory Support Division

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The NH Department of Energy (DOE or Department) has reviewed the filings from Unitil Energy Systems, Inc. (Unitil or Company) to the NH Public Utilities Commission (PUC or Commission) in these proceedings. These submissions include testimony and attachments from Linda S. McNamara, Jeff M. Pentz, Daniel T. Nawazelski, and Emily S. Anderson, along with the proposed tariff pages. Together, these materials constitute Unitil's formal request and justification for adjustments to its Revenue Decoupling Adjustment Factor (RDAF), Stranded Cost Charge (SCC), and External Delivery Charge (EDC).

As detailed below, the DOE confirms that Unitil's submission meets the requirements outlined in the Settlement Agreement from its previous rate case (DE 21-030), approved in Order No. 26,623. This includes the Revenue Decoupling Adjustment Clause (RDAC), particularly the calculation of the RDAF and its components. The Company's presentations of the SCC and EDC cost elements are also found to be appropriate, subject to exceptions discussed further below, and pending audit of the Vegetation Management component. The testimony, schedules, technical session discussions, and discovery provided by Unitil adequately support the requested rate adjustments, with specific limitations discussed further below.

Based on its preliminary evaluation, the DOE recommends that the Commission make the necessary findings and approve the Company's request for its Revenue Decoupling Adjustment Factor as filed on May 24, 2024 (not including the June 20, 2024 filing), Stranded Cost Charge, and External Delivery Charge subject to exceptions and conditions described below.

DOE's Analysis and Recommendation

Revenue Decoupling Adjustment (Docket No. DE 24-077)

In accordance with the directives outlined in Order 26,623, the following key points have been

identified concerning the implementation of the Revenue Decoupling Mechanism:

1. The Revenue Decoupling Mechanism (RDM) should use a Revenue Per Customer (RPC) model to reconcile monthly actual and authorized RPC by rate class.
 - a. The RDM should exclude electric vehicle time-of-use (EV TOU) classes, Outdoor Lighting, and LED outdoor Lighting Service classes from reconciliation.
 - b. Actual customer counts need to account for the Riverwoods master metering conversion. The Company shall add back the number of residential customers lost and remove the number of G2 customers added as the conversions occur.
 - c. Upon implementation of the RDM, the Company is to cease accruing Lost Base Revenue due to energy efficiency and displaced revenue due to net metering.
2. Monthly variances between actual and authorized RPC for each rate class and the total variances by class over a twelve-month measurement period should be the basis for the Revenue Decoupling Adjustment (RDA) by group and the calculation of Revenue Decoupling Adjustment Factors (RDAF).
3. The RDAF should be calculated as a dollar per kWh charge or credit based on the RDA for each group divided by the projected kWh sales for each group over a prospective twelve-month RDM Adjustment period.
4. The RDA should be capped at three (3.0) percent of distribution revenues for each group over the relevant Measurement Period for over and under recoveries. Any amount exceeding the cap should be deferred with carrying costs accrued monthly at the Prime Rate. The Prime Rate used should be based on the quarterly reports in The Wall Street Journal.

The DOE reviewed the materials provided in the Company's filing concerning the RDAF. Discovery was conducted, and pertinent details were discussed with the Company during a Technical Session. Below, we present an overview of our review for each of these elements.

1. The Revenue Decoupling Mechanism (RDM) – The Settlement Agreement describes the use of a Revenue Per Customer (RPC) model to reconcile monthly actual and authorized RPC by rate class. DOE reviewed the schedules provided in LSM-1 and found that the appropriate RPC amounts were applied to each month.

The Company's filing confirms that the proposed RDM utilizes this methodology, and certain classes, such as electric vehicle time-of-use and outdoor lighting service, are excluded from the RDM reconciliation.

- a. According to the actual meter replacement timing, the Company has added back the 201 residential customers and removed the two G-2 customers related to the Riverwoods master metering conversion. According to Unitil, 34 of the 201 residential customers were moved to an existing G-1 meter prior to June 1, 2022, and 39 of the 201 residential customers were moved to an existing G-2 meter in March 2023. The remaining 128 customers were moved to two new G-2 meters. The Department confirmed that this has remained unchanged.
 - b. The testimony and schedules for the RDAF submitted reflect the discontinuation of the Company's Lost Base Revenue and Displaced Distribution Revenue on and after June 1, 2022, the effective date of the Company's RDAC
2. Monthly Revenue Variance (MRV) – The settlement agreement specifies that the MRV

shall be calculated by comparing the actual revenues per customer to the authorized revenues per customer for each rate class subject to the RDAC. The calculation shall be performed monthly covering the measurement period. The Company’s filing properly reflects the MRV as laid out in the terms of the settlement, with accurate calculations of actual and authorized RPC variances for each rate class over the designated Measurement period.

3. RDAF Calculation and Customer Groups – The Settlement Agreement specifies that the RDAF should be calculated as a dollar per kWh charge or credit based on the RDA for each customer group divided by the projected kWh sales for each group over the RDM Adjustment Period. The Company’s filing aligns with this requirement by providing the proposed RDAF values for three customer groups: residential domestic, regular general service, and large general service.

Domestic – D and TOU- D	\$0.00212 (\$/kWh)
General Service - Regular General G2, G2 kWh Meter, and Quick Recovery Water Heating and Space Heating	(\$0.00137) (\$/kWh)
Large General Service – G1	\$0.00005(\$/kWh)

4. RDA Cap and Carried Balances – The settlement agreement established an RDA Cap of three percent of distribution revenues for each customer group during the measurement period, with any excess being deferred and subject to carrying costs. The company’s filing demonstrates that if the cap is implemented consistent with the Company’s May 24, 2024, filing, there would be a deferral of \$1,144,178 related to the residential customer group (Domestic – D and TOU-D).

Based upon the DOE’s review, the DOE recommends that the Commission approve the RDAF rates as filed on May 24, 2024, and presented in the proposed tariff filing. See Attachments – L. McNamara, Docket No. DE 24-077, Tab 1, Schedule LSM-4 pp. 1-4. Consistent with the Department’s objection filed on June 28, 2024, in this docket, the Department does not believe it is appropriate to waive the cap at this time.

Stranded Cost Charge (Docket No. DE 24-080)

A high-level overview of the Company’s SCC is provided in the testimony of Unitil witness Linda S. McNamara, beginning on Bates page 5 in Docket No. DE 24-080. This overview includes a description of costs included, the calculation methodology, historical comparisons, and a reconciliation of the SCC.

A more detailed description of the origins, cost elements, and historical regulatory approvals governing the SCC charges can be found in the testimony of Jeff M. Pentz, beginning on Bates page 58. Mr. Pentz also provides schedules which summarize the reconciliation of past and current period SCC costs and presents estimates of forward twelve-month period costs for the two cost components of the SCC – the Contract Release Payments and the Administrative Service Charges. See Schedule JMP-3 pages 1 – 3.

The SCC costs for the current twelve-month period ending July 2024 are projected to total \$27,480 and for the forward twelve-month period ending July 2025 are estimated to total \$35,079.

The SCC rate to be charged to ratepayers is developed and presented in the testimony of Company witness Linda S. McNamara. See Testimony of McNamara at Bates 6. Ms. McNamara presents a summary of SCC rates from recent periods along with the proposed SCC rate in an unnumbered table at the top of Bates page 6 of her testimony. The proposed SCC rate for effect August 1, 2024, is a charge of \$0.00013 per kWh and is an increase from the current SCC credit of (\$0.00010) per kWh.

The DOE has reviewed the Company's Schedule LSM-1 presenting the reconciliation of SCC costs and revenues for prior and current periods and the calculation of the proposed SCC rate for effect August 1, 2024. The Department recommends that the Commission approve the proposed SCC rate.

External Delivery Charge (Docket No. DE 24-080)

The Company's External Delivery Charge (EDC) includes the costs of Regional Transmission services necessary for transporting power across regional transmission facilities owned by others. These costs are incurred under rates approved by the Federal Energy Regulatory Commission (FERC). Additionally, the EDC encompasses several other approved cost elements as detailed in the testimony of Company witness Jeff M. Pentz. For a comprehensive list of these items, refer to Mr. Pentz's testimony on Bates page 63. Furthermore, Mr. Pentz's Schedule JMP-2, Page 1 of 4 (Bates 74), provides a detailed and informative description of each item included in the EDC.

Because the EDC is a non-bypassable charge which is paid by all ratepayers, the Commission has approved recovery of certain other cost items through the EDC. As described in the testimony of Unitil Witness Linda M. McNamara at Bates page 12, the Company stopped collecting Lost Base Revenue (LBR) effective June 1, 2022, when it transitioned to revenue decoupling. The Company has proposed including the reconciliation of the remaining LBR balance in its EDC.¹ The balance is estimated to be \$10,990.82 as of July 31, 2024.

At Schedule LSM-2 page 1 of 6 (Bates 23), Ms. McNamara presents the calculation of the proposed EDC rate of \$0.02539 per kWh which is comprised of \$0.03170 per kWh for Transmission Only related costs and a credit of (\$0.00631) per kWh for Non-Transmission cost elements. The Company presents the EDC total rate divided into these two portions as the Transmission Only rate portion is relevant for compensation of net metering customers under approved tariff rates. Additional details of costs for EDC individual cost elements can be found in the Attachments of Mr. Pentz at Schedule JMP-2 Pages 2 of 4 through 4 of 4 (Bates pages 75-77) for past, current, and future periods, respectively.

Vegetation Management Program/Reliability Enhancement Program (VMP/REP) (Docket No. DE 24-080)

The Company originally provided its 2024 VMP/REP report filed with the Commission in Docket DE 23-092 on November 17, 2023. In addition, on April 1, 2024, Unitil filed its 2023 Reliability Enhancement and Vegetation Management Plan (2023 VMP) containing the results from the 2023 program year. That docket was opened to review Unitil's 2024 REP and VMP Plan and the actual program results of its 2023 Plan activities. On November 22, 2023, the Commission requested that the DOE submit its analysis of Unitil's 2024 Plan and recommendation by January 30, 2024. On

¹ See Attachment 1 – Response to DOE 1-2.

January 29, 2024, the DOE requested, and the Commission granted, an extension of the filing date to March 15, 2024. Again, on March 12, 2024, the DOE requested, and the Commission granted, an extension of the filing date to April 5, 2024. On April 5, 2024, as requested, the DOE filed a Technical Statement providing its analysis and recommendations regarding the Company's 2024 and 2023 REP/VMP Plans.² That Technical Statement included the following statement:

“Based on the Department’s review of the Company’s filing outlined above, and the additional information obtained through discovery, the Department concludes that Unitil’s VMP is complete in terms of implementation and stated objectives and is consistent with current industry standards. However, the cost escalations related to certain components of the Plan remain an area of concern for the Department. Therefore, the DOE recommends PUC approval of Unitil’s 2024 VMP be conditioned upon satisfactory review and approval of actual Plan costs in the Company’s 2025 EDC proceeding.”

As of July 23, 2024, the Final Audit of Unitil’s 2023 REP/VMP Plan results by the Department’s Enforcement Division is still ongoing and not yet complete. Once available, the Department will review the Audit Report and prepare its “additional recommendation” as provided for in its April 5, 2024, Technical Statement. As the EDC is a reconciling mechanism, the Department does not object to the Commission approving the inclusion of the Company’s proposed adjustment related to the 2023 REP/VMP programs in the proposed EDC rate effective August 1, 2024, with the understanding that a future reconciliation adjustment may be needed depending on the final outcome of the Department’s “additional recommendation” relating to the 2023 VMP/REP Final Report.³

RGGI Rebate (Docket No. DE 24-080)

The Company includes in the EDC rate the rebate or return to its ratepayers the allocated amount of Regional Greenhouse Gas Initiative (RGGI) Auction payments from quarterly RGGI Auctions conducted during 2023.⁴ These auction amounts are paid to the State of New Hampshire by RGGI, Inc. The DOE allocates the funds to New Hampshire utilities and Municipal Electric Companies based on annual energy sales of those entities. The funds are paid out to these entities for return to ratepayers. The Department has confirmed that actual amounts through the March 2024 RGGI auction shown on Schedule JMP-2, pages 2 and 3, Column (p) totaling (\$8,262,475) correspond to the actual allocated amounts from corresponding RGGI Auctions.

Property Tax Reconciliation (Docket No. DE 24-080)

A detailed discussion of the Company’s Property Tax Reconciliation is provided in the testimony of Unitil witness Daniel T. Nawazelski. Starting on Bates page 88 of his testimony, Mr. Nawazelski details the Company’s request for approval to recover the increase in property taxes associated with HB 700 (2019). In alignment with HB 700, only local property taxes are reconciled through the EDC. In Order No. 26,500 in Docket DE 21-069, the Commission approved the company’s proposed method for reconciling local property taxes consistent with the authority granted under RSA 72:8-e.

² See Docket No. DE 23-092, Technical Statement of Jay E. Dudley, Joseph J. De Virgilio, and Ronald D. Willoughby dated April 5, 2024, at Bates 2-4.

³ See also Attachment 2 – Response to DOE 1-12.

⁴ Additional information about RGGI Auctions is available at <https://www.rggi.org/auctions/auction-results>

In 2023, the Company's property tax expenses totaled \$8,640,015, comprising \$1,754,894 for state property taxes and \$6,885,121 for local property taxes. Schedule DTN-1, attached to Mr. Nawazelski's testimony, includes calculations for the 2023 annual property taxes. During its review, the Department identified that the Company paid State Education Tax to several towns despite being exempt from this obligation under RSA 83-F:9. The total amount paid has been determined to be \$11,851.68. The 2023 property tax expense as filed on June 14, 2024, was \$666,481 higher than the amount currently included in base rates. As indicated in Schedule DTN-1, page 1, line 7, and supported by Order No. 26,500 in Docket DE 21-069, this additional expense is recoverable through the Company's EDC.

The DOE has reviewed this request and associated documents in the testimony of Mr. Nawazelski. The Department asked several data requests related to property tax to explore details of the Company's expenditures. In response to discovery the Company confirmed that the 2023 tax amounts reported included \$11,852 in State Education Tax.⁵ The Department understands that pursuant to RSA 83-F:9, Unutil (and all utilities) are exempt from paying State Education Tax. As a result, the Department recommends that the Commission reduce the Company's request to recover \$666,481 of local property taxes in 2024 by \$11,852. Approval of this recommendation would result in recovery of $(\$666,481 - \$11,852 =) \$654,629$ in property tax reconciliation through the Company's EDC.

Conclusion

The DOE has reviewed and investigated the materials filed by the Company in support of its proposed adjustments to its RDAF, SCC, and EDC. The detailed testimonies and accompanying schedules from Unutil's witnesses-Linda S. McNamara, Jeff M. Pentz, Daniel T. Nawazelski, and Emily S. Anderson-provide substantial evidence supporting the requested rate adjustments.

The DOE's analysis confirms that the calculations and methodologies used by the Company are appropriate and align with applicable procedures, subject to the specific exceptions and conditions outlined above. Notably, the DOE recommends an adjustment to the property tax calculation that is included in the calculation of the EDC. In addition, the DOE does not recommend allowing the recovery of the deferred amount above the cap in the RDAF.

The DOE's preliminary recommendation is to support the Company's filing, with caveats as described above, and the RDAF, SCC, and EDC rates proposed. The DOE anticipates that it will present its final position at hearing pending any additional review and additional information which may come to light through cross-examination of Company witnesses.

⁵ See Attachment 3 – Response to DOE 1-4 & DOE TS 1-1.