

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 21-033

DE 22-008

UNITIL ENERGY SYSTEMS, INC.

Major Storm Cost Reserve Fund Reports for 2020 and 2021

Order on Reports

ORDER NO. 26,719

November 3, 2022

In this order the Commission approves the Unitil Energy Systems, Inc. Major Storm Cost Reserve Fund Reports for 2020 and 2021.

I. PROCEDURAL HISTORY

On March 3, 2021, UES filed its annual Major Storm Cost Reserve Fund Report for calendar year 2020 in Docket No. DE 21-033 (2020 Report). The Company explained that the filing was 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) (Docket No. DE 11-277) (Order requiring UES to file annual reports on the storm reserve fund and storm recovery updates). 2020 Report at 2.

Subsequently, on September 30, 2021, UES filed a corrected version of the 2020 Report (Revised 2020 Report) adjusting for certain costs which were removed. On November 24, 2021, the Commission gave the DOE until December 28, 2021, to object to or request additional time to investigate Unitil's filing. On December 23, 2021, the DOE filed a motion to enlarge time, anticipating that a DOE analysis would be completed on or before April 30, 2022, and a final report filed thereafter. On December

29, 2021, the Commission granted the DOE's motion, and directed the DOE and any interested parties to file responses to Unitil's 2020 Report by June 1, 2022. On April 15, 2022, DOE filed its recommendation concerning the 2020 Report and on September 2, 2022, DOE filed a copy of the DOE Audit Report dated January 24, 2022, examining the 2020 Report.¹

On February 28, 2022, UES filed its annual Major Storm Cost Reserve Fund report for calendar year 2021 in Docket No. DE 22-008 (2021 Report). 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. DOE filed a Technical Statement and Audit Report, on September 2, 2022, in response to the Commission's procedural order.

II. BACKGROUND

The Major Storm Cost Reserve (MSCR) is intended to provide for recovery of advance preparation and/or recovery costs of qualifying major storms. The Commission-approved an annual amount of \$800,000 to be included in base distribution rates for MSCR. *See* Docket No. DE 13-065 Order No. 25,502 (April 29, 2013). In contrast to the MSCR, the Storm Recovery Adjustment Factor (SRAF) is intended to recover costs associated with infrequent storms of extraordinary magnitude on an individual basis. Individual storms that qualify for amortized recovery via the SRAF are the subject of specific Commission review and then, if approved by the Commission, Unitil may recover a storm specific amortization amount, period, and rates. *See, e.g.*, Order No. 26,123 (April 30, 2018), and Order No.

¹ The Audit Report was filed as an attachment to the DOE recommendation on the 2021 Report in Docket No. DE 22-008.

26,236 (April 22, 2019) in Dockets No. DE 18-036, and DE 19-043, respectively (approving amortizations of costs related to specific storms of extraordinary magnitude). The annual report includes the MSCRF and the SRAF fund balances as of year-end.

III. POSITIONS OF THE PARTIES

A. Unitil

2020 Revised Report

In its Revised 2020 Report Unitil calculated the MSCRF balance at a deficit of \$3,244,348 at year-end 2020. Unitil charged a rate of \$0.00084 per kWh for the SRAF during 2020. Unitil reported the SRAF reconciled balance of \$822,860 at year-end 2020.

2021 Report

In its 2021 Report Unitil calculated the MSCRF balance at a deficit of \$3,140,898 at year-end 2021. Unitil charged a rate of \$0.00000 per kWh, as of May 1, 2022, because there are currently no storms being recovered through the SRAF. Unitil reported the SRAF reconciled balance of \$ 130,419 at year-end 2021.

B. Department of Energy

2020 Revised Report

The DOE analyst stated that the recovery rate for the SRAF in 2020 was \$0.00084 per kWh. DOE found that rate appropriate for 2020 because two approved storm amortization rates were in effect. The first rate was \$0.00037 per kWh approved in Order No. 26,123 at 5 (April 30, 2018) for the three-year period of May 1, 2018 through April 30, 2021. The second rate contributing to the total was \$0.00047 per kWh approved in Order No. 26,236 at 4 (April 22, 2019) for a three-year period from May 1, 2019 through April 30, 2022.

At the point in time when DOE Audit reviewed the Company's books and records related to these storm amortizations, the amortization periods related to several storms had been completed, and there was an over-recovery ending balance related to those specific storms in the amount of \$191,357, i.e., a credit to ratepayers. At that time, however, there were also ongoing recoveries related to other storm amortizations, so the total SRAF was not in an over-collected position. DOE Audit recommended that the Company work with the DOE Regulatory Division regarding the treatment of the over-collected balances in the SRAF.

The Company agreed to make a recommendation for treatment of any remaining balances following the final reconciliation of the October 2017 windstorm and the March 2018 winter storm Quinn which are both estimated to result in under collections. The Company estimated that when combined with the 2008 Ice Storm and February 2010 windstorm, the net over-collection would be approximately \$74,900. DOE Regulatory Staff finds Audit's recommendation, accepted by the Company, to be an acceptable approach. DOE recommended approval of the Revised 2020 Report.

2021 Report

The 2021 Report contained costs from five major storms. DOE concluded that each event was appropriately categorized by the Company as a major storm event. DOE Audit identified 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. DOE 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. Effective April 30, 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 SRAF effective May 1, 2022 is \$0.00000 per kWh, as there will be no storms being recovered through the SRAF.

DOE Audit reviewed the 2021 SRAF recovery 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. DOE Audit verified the \$201,590 over-collection included a \$25,361 increase over the June 2019 over-collection credit balance of \$176,229 which was due to the inclusion of accrued carrying charges. Unutil 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 agreed with the SRAF ending balance as of December 31, 2021, 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 an overcollection 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 overcollection of \$72,556. *See* DE 22-038 Bates 24 Schedule LSM-2 Page 4 of 7, footnote 1, Beginning balance includes (\$72,556)

forecasted July 31, 2022 SRAF balance. DOE stated that it finds inclusion of the overcollection balance in the ETC to be an acceptable approach.

IV. COMMISSION ANALYSIS

The Commission is authorized to fix rates after a hearing, upon determining that rates, fares, and charges are just and reasonable. RSA 378:7. In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994).

In this case the rates have been established by prior Commission decisions, MSCR rates were most recently set by Order No. 25,502 (April 29, 2013) (approving \$800,00 annually for the MSCR). SRAF rates were set by successive orders, Order No. 26,123 (April 30, 2018); and Order No. 26,236 (April 22, 2019) (approving amortizations of costs related to specific storms of extraordinary magnitude). As a result, we review the annual MSCR and SRAF reports and the DOE audit and recommendation, to confirm that the resulting rates and fund balances have been correctly calculated according to the standards the Commission has established for recovery of these storm costs.

We find that the Revised 2020 Report and the 2021 Report for the MSCR and the SRAF are correctly calculated and that the rates and balances stated in each report are correct. We approve both the Revised 2020 Report and the 2021 Report. In order No. 26,655 (July 28, 2022) we approved Unitil's ETC rate which applied the SRAF overcollection amount of \$72,556 for reconciliation through the ETC. We find

that the reconciliation of the over collected amount of \$72,556 through the ETC is an appropriate resolution of that issue.

Based upon the foregoing, it is hereby

ORDERED, that the Revised 2020 Report for the MSCR and the SRAF is APPROVED; and it is

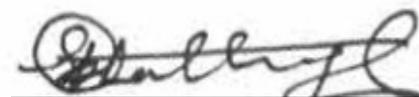
FURTHER ORDERED, that the 2021 Report for the MSCR and the SRAF is APPROVED; and it is

FURTHER ORDERED, that the rate of \$0.00000 per kWh is approved for the SRAF effective May 1, 2022.

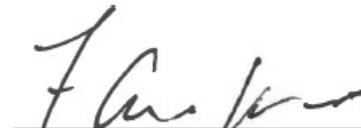
By order of the Public Utilities Commission of New Hampshire this third day of November, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Anne B. Ross
Special Commissioner

Service List - Docket Related

Docket#: 21-033

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