



June 29, 2007

**BY HAND-DELIVERY**

Debra A. Howland  
Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit St, Suite 10  
Concord, N.H. 03301-2429



Re: **Docket No. DE 07-064**

Dear Director Howland:

On behalf of Unitil Energy Systems, Inc. ("Unitil"), enclosed please find an original and seven (7) copies of a Motion for Clarification of Scope in the above-captioned matter.

Thank you for your attention to this matter.

Sincerely,

Gary Epler

Enclosure

cc: Anne Ross, Staff Counsel  
Meredith Hatfield, Consumer Advocate  
E-mail service list

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THE STATE OF NEW HAMPSHIRE  
Before the  
PUBLIC UTILITIES COMMISSION

Appropriate Rate Mechanisms for Electric Utilities  
Docket No. DE 07-064

UNITIL ENERGY SYSTEMS, INC.  
MOTION FOR CLARIFICATION OF SCOPE  
In the Alternative  
MOTION FOR EXPANSION OF SCOPE

On May 14, 2007, the New Hampshire Public Utilities Commission (“Commission”) issued its Order of Notice opening this docket “to investigate the merits of instituting, for electric utilities, appropriate rate mechanisms, such as revenue decoupling, which would have the effect of removing obstacles to, and encouraging investment in, energy efficiency.” A pre-hearing conference was held on Monday, June 18, 2007, during which time the Commission received statements of positions from a number of intervening parties and Commission Staff (“Staff”). Unitil Energy Systems, Inc. (“UES”) was one of the parties providing such a statement. During the course of the hearing, the Commission noted that, based upon these statements, there may be some differences among the parties as to the scope of this investigation.

Subsequent to the pre-hearing conference the Staff conducted a technical session, during which there was further discussion concerning scope. It is UES’ understanding that there appear to be two basic views of what should be scope of this investigation:

(a) The first view is that the scope should be limited to the question of whether it would be beneficial to adopt revenue decoupling (or other rate mechanisms) in order to promote (or remove obstacles to) energy efficiency. Under this view, “energy efficiency,” as that term is employed in the Order of Notice, is interpreted narrowly to

encompass the types of efforts or practices which the utilities are currently engaged in through their respective core programs.

(b) The second view is that the scope should be expanded to consider whether revenue decoupling (or other rate mechanisms) should be adopted in order to promote (or remove obstacles to) a range of technologies and practices, including but not limited to energy efficiency, which have the same or similar functional effect: if instituted, they displace and reduce the consumption of centrally sourced and delivered energy and, consequently, will reduce distribution utility sales. Alternatively, under this view the Order of Notice's reference to "energy efficiency" is interpreted to include this broad range of "displacement" technologies and practices, such as distributed generation, demand response and energy storage (together, with energy efficiency "displacement technologies.") The key distinction of this second view with the first is that the focus is on the functional effect of the promotion of these efforts.

Unitil recommends that the scope of this docket should be interpreted (or alternatively, expanded<sup>1</sup>) in a manner consistent with the second view:

(a) This docket provides a timely and critical opportunity to find a solution to the fact that the current regulatory framework creates a set of incentives and disincentives for distribution utilities that are in direct conflict with promoting these displacement technologies and practices. Since consumption-based rates link profits to sales, there is a powerful profit incentive to increase sales. Thus, the de-linking of profits from sales has the potential to profoundly affect utility behavior by better aligning the company's

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<sup>1</sup> Accordingly, UES has titled this submission in the alternative, as a Motion for Clarification or Motion to for Expansion of Scope.

financial interests with the ability to capture the reliability, economic and environmental benefits made possible as a result of the various displacement technologies. If the Commission is to consider the adoption of rate decoupling, it should do so in the context of the broad range of outcomes that such a change may affect.

(b) For the foreseeable future, UES believes that customers will remain connected to the utility distribution system. While it may be technically feasible for customers to go completely “off the grid,” it would be a significant waste of resources and inefficient economically for a large number of customers to do so. There is a great deal to gain by maximizing, rather than minimizing the value of the interconnected and integrated distribution utility grid. Thus, the distribution utility’s participation in the efforts to reduce dependence upon central station generation and grow these displacement technologies is something which should be encouraged and expanded in order to achieve the goal of broader penetration and utilization.

(c) Current ratemaking practices may not be well aligned with important state, regional and national goals to promote the efficient use of resources. The strong incentives to avoid decreases in sales may deter actions and investments that could be effective in reducing electricity demand under high load conditions, and moderate some of the impact of high electricity price levels and volatility. Such reductions benefit all end-use customers, not only those who participate in these displacement technologies.

In arguing that the scope of this docket should be expanded to consider whether rate mechanisms should be adopted to promote a broader range of sales-reducing technologies and practices, UES is not requesting that the details of these technologies or

practices become the focus of the investigation. Rather, we are contending that the adoption of such “appropriate” rate mechanisms may be justified on more grounds than energy efficiency alone, and that the design of such a rate mechanism be guided by its functional effect on the utility and the attainment of larger policy objectives rather than on the promotion of any single or group of demand resources.

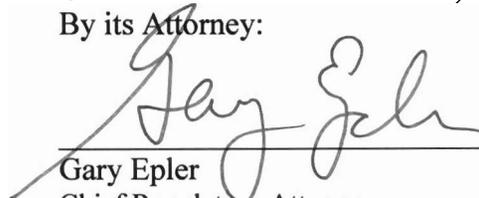
UES circulated a draft of this document to the parties and Staff on the e-mail list provided by Staff, and received a number of favorable comments and suggestions, some of which have been incorporated herein. UES is unable to represent that a consensus has been achieved, and has advised the parties to submit their comments on this motion directly to the Commission.

WHEREFORE, for all of the foregoing reasons, UES requests that the Commission clarify, or in the alternative expand, the scope of this docket as described, and for such other relief as the Commission may deem necessary and proper.

Respectfully submitted,

UNITIL ENERGY SYSTEMS, INC.

By its Attorney:



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