

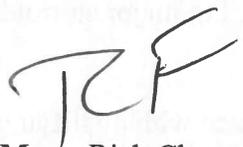
STATE OF NEW HAMPSHIRE

Inter-Department Communication

NHPUC 5JUL'16AM10:52

DATE: July 1, 2016

AT (OFFICE): NHPUC



FROM: Rich Chagnon, Utility Analyst – Electric Division

SUBJECT: Docket No. DE 16-274

Unitil Energy Systems, Inc. Annual Major Storm Cost Reserve Fund Report

Staff Review

TO: Debra A. Howland, Executive Director
Tom Frantz, Director – Electric Division

Summary

On February 26, 2016, Unitil Energy Systems, Inc. (UES or Company) made a filing of the "UES Annual Major Storm Cost Reserve Fund Report" for the 12 month period ending December 31, 2015.¹ There is no rate change related to this filing.

As detailed in the Report, the Major Storm Cost Reserve ("MSCR") Fund balance on December 31, 2015 is (\$2,862,336). The Company did not propose an adjustment to the level of annual MSCR recovery at this time, but will continue to review the recovery level on a going forward basis as it continues to incur costs for future storm events. The current annual MSCR recovery is set at \$800,000².

Staff has reviewed and investigated the filing received on February 26, 2016 and confirms compliance with Commission Order No. 25,351 and Order No. 25,502.

¹ This filing complies with the New Hampshire Public Utilities Commission ("Commission") requirements set forth in the Company's Rate Plan Settlement in Docket No. DE 10-055 and as ordered in Docket No. DE 11-277, Order No. 25,351, Order Granting Increase to Storm Recovery Adjustment Factor ("SRAF"), issued April 24, 2012 (requiring UES "to file annual reports on the Storm Reserve Fund and storm recovery updates for those storms where costs are recovered through the SRAF").

² Set forth in Docket No. DE 13-065 Order No. 25,502 issued April 29, 2013.

Background

On February 26, 2016, UES made a filing that complies with the New Hampshire Public Utilities Commission (“Commission”) requirements compelling UES to file an annual Major Storm Cost Reserve Fund Report (2015 Report) on the MSCR Fund and on storms where costs are recovered through the Storm Recovery Adjustment Factor (SRAF). Both mechanisms were created to recover approved costs related to major storm damage to the Company’s electrical distribution system.

The MSRC was created to recover approved costs associated with qualifying major storms that meet certain quantitative criteria. The MSCR mechanism also allows recovery for approved costs associated with UES preparing for and responding to major storms that do not materialize but were forecasted³ by the Company’s weather forecast provider to have a high probability of causing a wide-scale emergency event.

The SRAF mechanism was created to recover the costs of infrequent storms of extraordinary magnitude.

Staff Review

In the 2015 Major Storm Cost Reserve Fund Report, UES reported Adjustments of \$1,509 for four storms which occurred in 2013 and 2014. The 2015 Report details the costs of six storm events which meet the Commission’s criteria for recovery. This includes costs for preplanning and pre-staging line crews for storms which did not materialize as a qualifying major storm⁴ however did meet the forecasting criteria for responsive preplanning efforts. The cost reported for these six storm events was \$2,521,985. This included \$1,647,877 for the 2014 Thanksgiving Snow Storm event which was not included in the 2014 Report due timing at the end of the calendar year.

Staff requested additional information for each of the storm events included in the 2015 Report and met with Company’s representatives to review each in great detail. Staff concludes that the MSRC costs submitted in the 2015 Report are reasonable.

Staff notes that there were no significant and irregular events of extraordinary magnitude during 2015 which were included for recovery by the SRAF.

Staff brought to Unital’s attention that the “criteria” for a qualifying major storm is defined differently for each electric utility in New Hampshire. Staff also expressed a

³ One or more forecasts which include an Estimate Impact Indices (“EII”) from the Company’s professional weather forecaster which indicates an EII level of 3 or greater and with a “high” (greater than 60 percent) level of confidence.

⁴ DE 10-055 Unital Distribution Rate Case Settlement Agreement dated February 23, 2011, Section 8. Qualifying major storms shall include severe weather events causing 16 concurrent troubles (interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted, or 22 concurrent troubles, in either the Capital or Seacoast regions of Unital, as well as costs associated with planning and preparation activities in advance of severe weather if a qualifying major storm is likely occur.

desire to have the utilities collaborate to develop one set of criteria which would be utilized by all utilities.

Summary

Staff has reviewed and investigated the filing received on February 26, 2016 and confirms compliance with Commission Order No. 25,351 and Order No. 25,502.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov
amanda.noonan@puc.nh.gov
epler@unitil.com
leszek.stachow@puc.nh.gov
ocalitigation@oca.nh.gov
paul.dexter@puc.nh.gov
regulatorycompliance.nh@unitil.com
richard.chagnon@puc.nh.gov
suzanne.amidon@puc.nh.gov
tom.frantz@puc.nh.gov

Docket #: 16-274-1 Printed: July 05, 2016

FILING INSTRUCTIONS:

a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:

DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.

c) Serve a written copy on each person on the service list not able to receive electronic mail.