

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-384

UNITIL ENERGY SYSTEMS, INC.

Petition for Distribution Rate Increase

Order Approving Settlement Agreement

ORDER NO. 26,007

April 20, 2017

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; Consumer Advocate D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves a settlement agreement among Unitil, Staff, and the Office of the Consumer Advocate resulting in a permanent increase in distribution rates effective May 1, 2017. For a typical residential customer taking electric supply from Unitil and using 612 kilowatt hours per month, this represents a 3.6 percent increase in monthly bills over rates in effect on April 30, 2017, from \$97.74 per month, to \$101.39 per month.

I. PROCEDURAL HISTORY

On March 30, 2016, Unitil Energy Systems, Inc. (Unitil or the Company), filed a notice of intent to file for an increase to its distribution rates. Unitil filed proposed tariff pages, along with supporting testimony and related exhibits, on April 29, 2016, requesting a \$6.26 million increase in distribution revenue, and a five-year rate plan. Unitil included in its filing certain rate design changes, including increases to customer charges, new distributed energy resources, light-emitting diode (LED) tariffs, and a temporary annual revenue increase of \$3.01 million. Unitil requested these changes for effect with services rendered on and after June 1, 2016. Unitil made supplemental filings to its petition on May 5 and May 12, 2016.

The Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28 on May 5, 2016. On May 12, 2016, the Commission issued an order suspending Unitil's proposed tariff, pending investigation of the filing. In addition, the Commission scheduled a hearing on temporary rates on June 20, 2016.

At a prehearing conference on June 1, 2016, the Commission heard oral argument on whether the proposed distributed energy resource (DER) tariff should be considered in connection with this docket, or be included in the investigation into net metering (Docket No. DE 16-576). On June 9, 2016, the Commission suspended its investigation of the DER tariff in the base rate case and ordered that the DER tariff be heard in the net metering proceeding. Order No. 25,915 (June 9, 2016).

On temporary rates, Staff filed a stipulation and settlement agreement among Unitil, Staff, and the OCA that proposed an increase of \$2.4 million in temporary revenue requirements, as compared with the Company's initial request of \$3 million, for effect with services rendered on and after July 1, 2016. The Commission approved the settlement following the June 20 hearing. Order No. 25,915 (June 28, 2016). Order No. 25,915 provided that any increase in permanent rates would be fully reconciled back to July 1, 2016.

The Commission's Audit Staff completed its full financial audit of the Company's test year books and records on August 5, 2016, and the Company accepted the result of the audit in its revised revenue requirements filed with the Commission on September 19, 2016. A second revised revenue requirements statement was filed by the Company on January 6, 2017. In addition, Unitil filed its third and final report of rate case expenses on January 25, 2017.

During the course of the investigation into the Company's petition for a permanent increase in revenue requirements associated with distribution service, Unitil responded to

numerous rounds of discovery from Staff and the OCA, and participated in several technical sessions. On November 16, 2016, Staff filed the direct testimony of several Commission electric division employees and consultants concerning the request for a permanent increase in distribution revenue. The OCA also filed testimony on November 16.

In January 2017, the parties met in settlement discussions on several occasions. Those discussions resulted in a settlement agreement (Settlement Agreement) among all parties, Unitil, Staff, and the OCA (Settling Parties) which resolved all matters at issue in the filing. The Settlement Agreement was filed by Staff on February 22, 2017. A merits hearing was held on March 1, 2017.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-384.html>.

II. INITIAL POSITIONS OF THE PARTIES

A. Unitil

Unitil filed testimony from eleven witnesses to support its petition for a permanent increase in distribution rates, and for other requests related to its petition. Mark H. Collin, Vice President and Chief Financial Officer of Unitil Corporation, filed testimony describing the Company's earnings deficiency. Mr. Collin explained that Unitil's petition requests an increase in electric distribution base revenues of \$6,255,276, an increase of 3.6 percent over the Company's total revenue under rates in effect for 2015, the Company's test year. Mr. Collin said that the primary driver of the request is the need to bring distribution base revenues in line with the Company's operating costs and rate base, including substantial increases in rate base that are driven by non-revenue producing investments, principally related to reliability and maintenance

of the distribution infrastructure. David L. Chong, Director of Finance and Treasurer of Unitil Service Corp, provided testimony and supporting exhibits that presented Unitil's request based on 2015 test year revenues and expenses and year-end rate base with pro forma adjustments for known and measurable changes consistent with Commission precedent. Mr. Chong also presented the Company's request for a five-year rate plan with annual adjustments for costs associated with capital investment made in the prior calendar year.

George E. Long, Jr., Vice President for Administration for Unitil Service Corp., provided an overview of Unitil's compensation and benefit programs, and pro forma adjustments to the costs of those programs proposed for inclusion in operation and maintenance revenue requirements. With the adjustments requested in Unitil's petition, Mr. Long's testimony proposed \$13,890,482 in overall annual revenue requirements for compensation and benefits programs.

Daniel V. Main, Assistant Controller of Unitil Service Corp., provided testimony requesting authority for the Company to recover the costs of its past due and uncollectible Active Hardship Protected Accounts (AHPA) receivables.

Kevin E. Sprague, Director of Engineering for Unitil Services Corp., provided testimony supporting capital expenditures made for certain reliability projects, including Kingston Substation, and for capital expenditures planned for the next three years. Mr. Sprague's testimony explained the need for the projects and the costs associated with their completion.

Sara M. Sankowich, System Arborist for Unitil Service Corp, provided an update of the Company's vegetation management program, and reliability metrics in support of its continued funding through base rates. Douglas J. Debski, Senior Regulatory Analyst, presented tariff

changes proposed by the company for LED outdoor lighting options for municipalities and other outdoor lighting customers, and other tariff changes to customer charges.

Robert B. Hevert, Managing Partner of Sussex Economic Advisors, provided testimony supporting the Company's request for a return on equity of 10.30 percent. Paul M. Normand, Principal with Management Applications Consulting, Inc., prepared Unutil's distribution revenue lead/lag study, and H. Edwin Overcast, Director of Black & Veatch Management Consulting, prepared a marginal cost study in support of Unutil's proposal to allocate costs of providing distribution service across customer classes.

B. Staff

Staff filed the testimony of Richard Chagnon, Staff's Lead Electric Utility Analyst in this docket; Leszek Stachow, Assistant Director of the Commission's Electric Division; James J. Cunningham, Utility Analyst; Donna H. Mullinax, of Blue Ridge Consulting Services, Inc.; Randall Woolridge, PhD., Professor of Finance Pennsylvania State University; and Michael Cannata, Jr., of Innovative Alternatives.

Mr. Chagnon provided testimony supporting the recommendations of his fellow witnesses. He also recommended the inclusion of tariff language dealing with third party electric vehicle recharging stations. Mr. Chagnon explained that he reviewed the Company's lead/lag study, and concluded that the study, which resulted in a net lag of 27.25 days for cash working capital, was reasonable.

Mr. Chagnon opined that the Commission should not allow Unutil to recover bad debt expense for amounts associated with AHPA accounts, and recommended that the Commission open a separate generic docket to determine appropriate treatment of those accounts. Finally, he

recommended that Unitil not be permitted to recover costs associated with its DER tariff as a rate case expense.

Mr. Stachow agreed that Unitil's embedded and marginal cost studies support the Company's proposed rate design for its rate increase. He also supported the use of a multi-year rate plan in principle, but recommended a three-year rate plan rather than the five-year rate plan proposed in Mr. Chong's testimony. Assuming approval of a five-year rate plan, Mr. Stachow recommended a profit sharing mechanism at 50/50 after attainment of a Return on Equity (ROE) greater than 10 percent, the adoption of a productivity adjustment to the revenue requirement, and specific fixed rates for each year of the plan. In addition, Mr. Stachow supported the unbundling of utility rates and increased recovery of fixed costs through fixed charges while recognizing that there is disagreement as to how to best recover system wide fixed charges.

Mr. Cunningham proposed an overall reduction of \$168,080 to depreciation and amortization, and employee pension and benefits expenses.

Ms. Mullinax provided a detailed report recommending that the Company be allowed an increase to its distribution base rates of no more than \$2,485,637. Dr. Woolridge provided support for a return on equity rate of 8.65 percent, and an overall rate of return of 7.91 percent, based on a capital structure of 0.11 percent short-term debt, 48.80 percent long-term debt, 0.13 percent preferred stock, and 50.97 percent common equity. Mr. Cannata testified in favor of Unitil's process for funding capital projects, and in particular, the Kingston and Broken Ground substations. He also favorably reviewed the Company's revision to its vegetation management program.

C. OCA

The OCA filed the testimony of its consultant Scott Rubin, and that of Pradip Chattopadhyay, Ph D., assistant consumer advocate, and James Brennan, finance director for the OCA. Mr. Rubin proposed a Domestic (residential) rate design consisting of a customer charge of \$11.97 per month during the months of October through May, a customer charge of \$15.00 per month from June through September, and a distribution charge of 4.099 cents per kWh year-round, assuming Unitil's proposed revenue requirement. Dr. Chattopadhyay originally recommended an ROE of 8.5 percent. Mr. Brennan recommended that Unitil be required to adopt a broader approach to energy data collection and sharing as a condition of approving a five-year rate plan.

III. SETTLEMENT AGREEMENT

A. Distribution Rate Changes and Terms of Settlement Agreement

The Settlement Agreement¹ (Hearing Exhibit 12) is a global settlement that resolves all issues in this case. While the Settling Parties may not have agreed to every individual component of the Company's initial filing, they did agree on an overall revenue deficiency of \$4,109,022 to be recovered through distribution rates, as compared with the Company's initial claim of a deficiency of \$6.3 million in distribution revenue. The new rate is proposed for effect on a services-rendered basis on and after May 1, 2017. The impact of the May 1 distribution revenue increase would be reduced by the \$2.4 million temporary rates already approved by Order No. 25,915.

¹ This description of the Settlement Agreement summarizes its terms. The text of the Settlement Agreement, can be found at http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-384/LETTERS-MEMOS-TARIFFS/16-384_2017-02-22_STAFF_SETTLEMENT_AGREEMENT.PDF

The May 1, 2017, proposed increase in distribution revenue includes a Step Adjustment for the change in net plant in service for calendar year 2016 as shown in Attachment 1 to the Settlement Agreement. For step adjustments, the revenue requirement increase will be applied proportionally to all customer classes as outlined in the Settlement Agreement in Section 6.2. The May 1 proposed increase in distribution revenue also includes the revenue recoupment of the difference between temporary rates and permanent rates for the period from July 1, 2016, through April 30, 2017, as shown in Attachment 2 to the Settlement Agreement. The revenue recoupment will be recovered on a uniform per kWh basis from all classes beginning with service rendered on May 1, 2017, and ending April 30, 2018.

The Settlement Agreement provides for two additional Step Adjustments to distribution rates on May 1, 2018, and May 1, 2019, also effective on a service rendered basis. The rate increase from the 2018 Step Adjustment will be net of the recoupment. The step adjustment will be for the revenue requirement associated with 80 percent of changes in Net Plant in Service made in calendar year 2017. Similarly, the 2019 Step Adjustment will recover no more than 80 percent of changes in Net Plant in Service made in calendar year 2018. The sum of the 2017, 2018, and 2019 Step Adjustments will not exceed \$4.5 million.

The Settlement Agreement also provides for recovery of rate cases expenses, and for regulatory expenses incurred by the Company in DE 16-576, related to net energy metering, and IR 15-296, an investigation into grid modernization. Those expenses are to be recovered within revenue requirement Schedule EDC through the External Delivery Charge, a uniform rate per kWh, and will be amortized over one year, from August 1, 2017, through July 31, 2018.

The Settling Parties also agreed that Unitil will not file a distribution base rate case before December 31, 2019, unless Unitil's earned return on equity (ROE) for distribution services is less than 7 percent, as submitted in the Company's annual Puc 308.11, F-1 filing.

B. Cost of Capital and Capital Structure

In determining the annual changes to distribution revenue and rates, the Settling Parties used an overall cost of capital structure, including a 9.5 percent ROE, as follows:

	Component Percentage	Cost	Weighted Cost
Common Equity	50.97%	9.50%	4.84%
Preferred Stock Equity	0.13%	6.00%	0.01%
Long-Term Debt	48.80%	7.15%	3.49%
Short-Term Debt	0.11%	1.54%	0.00%
Total	100.00%		8.34%

C. Earnings Sharing Agreement

The Settlement Agreement includes the use of an ROE collar that will be in effect as follows: The ROE collar will limit Unitil's ability to propose changes to its permanent distribution rate level, and will result in the equal sharing of earnings if Unitil's earned ROE for any of the three reporting calendar years of 2016, 2017, or 2018, is greater than 10.5 percent. The annual earnings sharing calculation will be due within 60 days after the end of each calendar year and will be subject to review by Staff and the OCA.

Under this provision, if Unitil's earned ROE is greater than 10.5 percent for a reported calendar year, revenues equaling 50 percent of such excess earnings will be recognized by Unitil as a deferred liability and an associated deferred asset, and refunded to customers over the 12-month period beginning on May 1 following the reported calendar year. The refund will be applied proportionally to all customer classes based on distribution revenue, using current

distribution rates and test year billing determinants, similar to the calculation of rates for each Step Adjustment.

D. Step Adjustments and Reporting Requirements

For each of the Step Adjustments, Unitil will submit compliance filings on the last day of February of 2017, 2018, and 2019. The compliance filing for the Step Adjustment to be effective with rates on May 1, 2017, in the amount of \$900,194 is shown in Attachment 1 to the Settlement Agreement. The step adjustment will recover the distribution revenue requirement associated with 80 percent of the annual change in Net Plant in Service.² The Step Adjustment revenue will be the sum of (1) the Pre-Tax Rate of Return applied to the annual change in Net Plant in Service, multiplied by the factor of 80 percent; (2) Depreciation expense on annual Plant Additions multiplied by the factor of 80 percent; and (3) property taxes on the Change in Net Plant in Service multiplied by the factor of 80 percent. The Settling Parties agreed that the amount of the step adjustments is subject to review by Staff and the OCA, and subject to the approval of the Commission.

E. Rate Design

The Settlement Agreement provides that the revenue deficiency allocated to the residential rate class, Rate Schedule D, and outdoor lighting, Rate Schedule OL, should be capped at 125 percent of Unitil's overall average revenue increase. The increase for residential Rate Schedule D should include a customer charge increase to \$15.00 per month, with the remainder of the revenue requirement to be applied to the distribution energy delivery charge. The existing inclining block kWh charges for residential Rate Schedule D will be replaced by a flat, uniform per kWh charge. Customers in the commercial and industrial Rate Schedule G, G2-

² The 80 percent of annual change in net plant in service will be reduced in the event the \$4.5 million cap is exceeded.

kWh meter, and G2-Quick Recovery Water Heating and Space Heating, will also experience an increase in the customer service charge. The remainder of the revenue requirement will be applied to distribution demand or energy delivery charges, as applicable.

Attachment 3 to the Settlement Agreement includes a schedule that shows the allocation of the revenue deficiency and resulting permanent rates for all customer classes. Attachment 4 shows the impact of the permanent rate increase and recoupment for permanent rates effective May 1, 2017 (including the recoupment and Step Adjustment). Attachment 5 shows average rate bill impacts, and Attachment 6 shows bill impacts for customer classes at various usage levels.

F. Miscellaneous Fees, Charges, and Tariff Changes

Under the Settlement Agreement, Unitil will make adjustments to various customer charges, including the returned check fee, the account restoration service charge, the unscheduled meter read charge, the enhanced metering services charge, and the interval metering services charge. The Settlement Agreement confirms that Unitil will reconcile the Reliability Enhancement and Vegetation Management Programs over- and under-collections through the Company's External Delivery Charge mechanism.

The Settling Parties agree that Unitil's tariff language should be modified to clarify that the sale of electricity for electric vehicle charger services to a third party will not be considered the resale of electricity, and that Unitil's proposed LED outdoor lighting tariff should be approved.

The Settlement Agreement also addresses Unitil's issue regarding the treatment of AHPA. In this proceeding, Unitil had proposed to recover AHPA bad debt expense through the amortization over a five-year period of a regulatory asset established based on the over 360 days past due balance of AHPA at December 31, 2015. The purpose of this recovery was to allow the

write-off of those balances for accounting purposes while maintaining the balances as due and payable for customer billing, credit, and collection purposes.

Staff testimony acknowledged the increase in the number of AHPA accounts and the accounts receivable balances of those accounts. Those accounts are protected through the Medical Emergency rules in Puc 1205, which prohibit a utility from disconnecting service to customers when the utility has received certification that a medical emergency would exist if utility service were disconnected. Staff said it was a common issue affecting all New Hampshire electric utilities. Accordingly, rather than addressing the issue on a utility-by-utility basis, the Settlement Agreement recommends that the Commission open a generic proceeding within six months of the approval of the settlement to develop a common approach. The Settlement Agreement provides that if no generic proceeding resolves this issue, Unitil may again propose recovery of its over 360 day past due AHPA bad debt expense in its next base rate proceeding.

The Settlement Agreement recommends that the Commission approve the remainder of the Company's proposed tariff revisions. In addition to those provisions, Unitil agreed to meet with Staff and the OCA to develop a data sharing plan (Energy Data Plan). The Energy Data Plan will assess and describe a plan for the collection, management, and reporting of granular energy data from a dedicated data base.

G. Exogenous Events

The Settlement Agreement includes a provision authorizing Unitil to adjust distribution rates upward or downward in response to exogenous events. Exogenous events are defined as various specific cost changes resulting from actions of state or federal government agencies, regulatory cost reassignments, or changes in accounting rules. The Settlement Agreement only allows for adjustments to the Company's rates if the total distribution revenue impact from all

such exogenous events is at least \$200,000. The Settlement Agreement provides that no later than the last day of February in 2018 and 2019, Unitil will file with the Commission, Staff, and the OCA, a certification of exogenous events for the prior calendar year. The Settlement Agreement requires Unitil to provide supporting information if it seeks such an adjustment. Any change to Unitil's revenue requirements resulting from the occurrence of exogenous events (1) shall be subject to review and approval as deemed necessary by the Commission, and (2) shall be implemented on a service rendered basis on May 1 of that year.

IV. HEARING ON THE SETTLEMENT

At the March 1, 2017, hearing, a panel of witnesses presented the settlement agreement. The panel consisted of Mr. Chong for Unitil; Mr. Chagnon for Staff, and, on behalf of the OCA, Mr. Brennan, and Dr. Chattopadhyay.

Mr. Chong presented a summary of the Settlement Agreement, and provided additional detail regarding certain provisions. Mr. Chong noted that the Settling Parties agreed that rate case expenses will be amortized over a one-year period, and that outside regulatory costs incurred in the net metering docket and the grid modernization docket will be recovered over a three year period. He explained that this provision does not provide for automatic recovery of the expenses. He stated that Unitil has the burden to show in a separate filing all documents that support its recovery of those expenses, and that demonstrates the amounts are just and reasonable, as required by N.H. Code Admin. Rules Puc 1900. Hearing Transcript at 18.

With respect to the miscellaneous service fees and charges, Mr. Chong explained that those fees and charges were updated to better reflect the costs of providing the services. In the same section of the Settlement Agreement, the Settling Parties agreed that the Company will

continue to reconcile over- and under-collections associated with the reliability enhancement and vegetation management programs through the external delivery charge mechanism. *Id.* at 20-21.

Regarding the tariff on LED outdoor lighting, Mr. Chong explained that the Settling Parties agreed on a tariff that allows customers and municipalities the opportunity to have LED installations performed by a private contractor. In addition, under the LED Tariff, municipal customers also have the opportunity to have maintenance performed by a qualified private contractor.

In the context of the settlement, Mr. Chong said that the Company withdrew its request for treatment of AHPA receivables and instead agreed with Staff's recommendation that a generic proceeding on this issue be commenced by the Commission within the next six months for all electric distribution utilities. *Id.* at 21.

Mr. Chong also elaborated on the provision in the Settlement Agreement that describes the Settling Parties' work on the development of an Energy Data Plan. He explained that the Settling Parties agreed to hold a series of working meetings in the second half of 2017 to develop data sharing for the collection, management, and reporting of granular energy data from a dedicated data base. *Id.* at 21-22. Unitil committed to work toward the development of an Energy Data Plan as the utility moves through the grid modernization process, towards a model that enables more data sharing between the utility and its customers. This work was described as a forward-looking project that will take into account the Commission investigation of grid modernization. *Id.* at 22-24.

In conclusion, the Company said it had worked collaboratively with the Staff and the OCA on the Settlement Agreement, and urged the Commission to approve it.

The OCA stated in its closing that the Settlement Agreement will result in just and reasonable rates, and creates a climate in which Unitil is committed to collaborating with Staff and the OCA on moving forward into the future to make sure that service provided to customers is safe and reliable, and at the lowest cost. The OCA recommended that the Commission adopt the terms in the Settlement Agreement.

Staff agreed, stating that the Settlement Agreement is a just and reasonable resolution of the case, which is fair to ratepayers and appropriately balances ratepayer's interests in reasonable rates with the interests of the shareholders in obtaining a reasonable return on their investment. Staff recommended approval of the Settlement Agreement in its entirety.

V. COMMISSION ANALYSIS

We encourage parties to settle issues through negotiation and compromise, because it is an opportunity for creative problem solving, allows the parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Granite State Electric Co.*, Order No. 23,966 at 10 (May 8, 2002); *see* RSA 541-A:31, V(a) (“informal disposition may be made of any contested case ... by stipulation [or] agreed settlement”). Even when all parties join a settlement, however, we must independently determine that the result comports with “applicable standards.” *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 24,972 at 48 (May 29, 2009) (“we must scrutinize settlement agreements thoroughly regardless of whether a party appears at hearing to raise objections”). We conduct this analysis through a transparent process to ensure that a just and reasonable result has been reached. *Id.*; *see* N.H. Code Admin. Rules Puc 203.20(b) (“The commission shall approve a disposition of any contested case by stipulation [or] settlement ... if it determines that the result is just and reasonable and serves the public interest”).

Unitil testified that the primary driver of rate relief requested in its petition is the need to bring distribution base revenues in line with the Company's operating costs and rate base, including substantial increases in rate base from non-revenue producing investments that have not been included in rates. Unitil also said that it had experienced a 4.2 percent decline in per kWh sales between 2015 and 2016, due to such factors as energy efficiency improvements in appliances and equipment, and customer choice. That testimony supports the distribution rate increase contained in the Settlement Agreement.

Initially, Unitil requested a permanent distribution revenue increase of \$6,255,276, which was subsequently updated to \$6,584,710, or an increase of 12.75 percent over 2015 distribution revenue. In its testimony, Staff recommended a permanent revenue requirement increase of \$4,109,022. The Settlement Agreement provides for an increase in distribution revenues of \$4,109,022, Staff's recommended amount, for effect May 1, 2017. In addition, the sum of the 2017, 2018, and 2019 Step Adjustments will not exceed \$4.5 million under the Settlement Agreement. The Company requested an ROE of 10.3 percent, which was challenged in the testimony of Staff and the OCA. The Settlement Agreement authorizes the Company to earn an ROE of 9.5 percent. The Settlement Agreement also includes a stay-out provision, barring the Company from filing a request for a distribution rate increase prior to December 31, 2019, and an earnings sharing provision. The rate case stay out provision gives ratepayers some protection against further rate increases during the term of the Settlement Agreement. During the same period, the earnings sharing provision prevents excessive overearnings by the Company. In addition, the Settlement Agreement recognizes the merits of requiring Unitil to work with Staff and the OCA on the development of an information platform that is intended to provide customers with more options to manage their electric service.

Further, we note that the process leading up to a proposed settlement is a relevant factor in determining whether the settlement should be approved. Specifically, the fact that parties to a settlement represented a diversity of interests, and that there was a demonstration that the issues were diligently explored and negotiated at length, provides a basis for concluding that the results of a settlement are reasonable and in the public interest. *Public Service Company of New Hampshire*, Order No. 25,123 at 29 (June 28, 2010).

We have reviewed the record and have concluded that the effect of the Settlement Agreement is to balance the interests of the customers' desire to pay no higher rates than reasonably necessary and the investors' right to earn a reasonable return on their investment. *See Eastman Sewer Company, Inc.* 138 N.H, 221, 225 (1994). We have carefully reviewed the Settlement Agreement, which represents a global settlement of all issues in this proceeding, and we approve the Settlement Agreement in its entirety, without any modification, as being a just and reasonable resolution of the issues in this case and in the public interest. We also find the resulting rates to be just and reasonable as required by RSA 374:1 and RSA 378:28.

For a typical residential customer taking electric supply from Unitil and using 612 kilowatt hours per month, this represents a 3.6 percent increase in monthly bills over rates in effect on April 30, 2017, from \$97.74 per month, to \$101.39 per month.

We understand that as a result of the Settlement Agreement, Unitil has ongoing reporting obligations and the obligation to work with Staff and the OCA on the energy data information platform. We direct the Parties to observe these obligations as stated in the Settlement Agreement. We will open a generic docket on the treatment of AHPA uncollectible account receivables within the next six months.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement regarding Permanent Distribution Rates among Unitil, Staff, and the Office of Consumer Advocate is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil is hereby authorized to begin recovery of the increased revenue requirements of \$4,109,022 in rates effective with service rendered on and after May 1, 2017, to be reconciled to temporary rates approved in Order No. 25,915 (June 28, 2016); and it is

FURTHER ORDERED, that Unitil is authorized to begin recovery of the 2017 step adjustment in the amount of \$900,194 in rates effective with services rendered on and after proposed LED outdoor lighting tariff should be approved May 1, 2017; and it is

FURTHER ORDERED, that Unitil is authorized to recover the just and reasonable rate case expenses over a one-year period, from August 1, 2017, through July 31, 2018; and it is

FURTHER ORDERED, that Unitil is authorized to recover the just and reasonable regulatory costs associated with Docket No. DE 16-576 (net metering) and Docket No. IR-15-296 (grid modernization), to be amortized over a three-year period, beginning August 1, 2017, through July 31, 2020; and it is

FURTHER ORDERED, that Unitil is authorized to recover the revenue requirement associated with step increases as provided in the Settlement Agreement for effect May 1, 2018, and May 1, 2019, the total sum (including the May 1, 2017, step increase) of which shall not exceed \$4.5 million; and it is

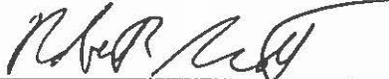
FURTHER ORDERED, that Unitil shall file all necessary documentation and reports in support of regulatory costs as noted above, and the step increases for effect May 1, 2018, and May 1, 2019, as required by the Settlement Agreement; and it is

FURTHER ORDERED, that Unitil shall file tariffs conforming to this order within 15 days of the date of this Order pursuant to N.H. Code Admin. Rule Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twentieth day of April, 2017.



Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

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.

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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
EXEC 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.**