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May 25, 2017

Gary Epler, Esq.  
Chief Regulatory Counsel  
Unitil Energy Systems, Inc.  
6 Liberty Lane West  
Hampton, NH 03842

Re: DE 17-032, Unitil Energy Systems, Inc.  
Annual Report/Major Storm Reserve Fund

Dear Mr. Epler:

On February 28, 2017, Unitil Energy Systems, Inc. (UES) filed its annual Major Storm Cost Reserve (MSCR) Fund Report for calendar year 2016. The filing included a description of major storms that occurred in 2016, the storm restoration efforts where costs were recovered through the Storm Recovery Adjustment Factor (SRAF), and a request to recover costs associated with an 'exogenous event' through the MSCR Fund. In its filing, UES did not propose to change the annual MSCR recovery level, currently set at \$800,000..

The Commission authorized the creation of the MSCR Fund in connection with UES's 2010 rate case, Docket No. DE 10-155. In that docket, the Commission approved a Settlement Agreement that includes a provision creating the MSCR Fund as a means to recover approved costs for restoring power and repairing damage following major storms which meet certain criteria. *See* Order No. 25,214 (April 26, 2011) at 10-11. The MSCR Fund also allows UES to recover costs associated with preparing for storms forecasted to be major storms, but which do not materialize as the major storm is forecast.

The Settlement Agreement (Section 8.2) approved by Order No. 25,214 also includes a provision which recognizes that certain weather events that do not qualify as major storms may result in extraordinary costs in preparation or repair. In those circumstances, the Company may petition the Commission to recover those costs provided that it can demonstrate the reasonableness of its expenditures. UES MSCR Fund Report at p. 15. UES refers to such storms as "exogenous events."

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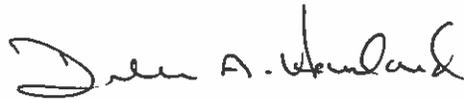
In 2016, UES experienced four storm events that qualified as major storms and for cost recovery from the MSCR Fund, and one storm event that did not qualify as a major storm. The cost of restoring power and repairing damage resulting from the four qualifying storms is \$400,610.

The fifth storm that did not qualify as a major storm was a microburst that occurred on July 18, 2016. Although it did not qualify as a major storm, the microburst resulted in extensive damage. The cost incurred in restoring power and repairing damage associated with this storm was \$177,355, excluding \$71,524 in capital plant replacement costs. UES petitioned the Commission to allow it to recover the \$177,355 from the MSCR Fund.

On May 18, 2017, Staff filed a memorandum discussing its review of UES's 2016 MSCR Fund Report. Staff concluded that the costs recovered through the MSCR in 2016 are reasonable, including the costs associated with the microburst. Staff agreed with UES that the microburst qualified as an exogenous event within the meaning of the Settlement Agreement and that the associated costs of \$177,355 should be funded from the MSCR .

The Commission has reviewed UES's 2016 MSCR report and Staff's recommendation and has granted UES's petition to recover \$177,355 in costs associated with the 2016 microburst from the MSCR Fund.

Sincerely,



Debra A. Howland  
Executive Director

cc: Service List (Electronically)  
Docket File

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**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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Docket #: 17-032-1      Printed: May 25, 2017

**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  
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- 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.**