

DE 06-042

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing

Order Approving Reconciliation and Rate Filing as Amended

ORDER NO. 24,619

April 28, 2006

Appearances: LeBoeuf, Lamb, Greene and MacRae by Meabh Purcell, Esq. on behalf of Unitil Energy Systems, Inc.; F. Anne Ross, Esq. on behalf of the Office of Consumer Advocate; and Suzanne Amidon, Esq. on behalf of Commission Staff.

I. BACKGROUND

On March 17, 2006, Unitil Energy Systems, Inc. (UES) filed with the New Hampshire Public Utilities Commission (Commission) its annual reconciliation of several adjustable rate mechanisms established pursuant to its tariffs approved in Docket No. DE 01-247, Proposal to Restructure the Unitil Companies. These adjustable rate mechanisms include the Transition Service Charge (TSC), Default Service Charge (DSC), Stranded Cost Charge (SCC), and External Delivery Charge (EDC). UES proposed to make the requested rate changes effective May 1, 2006, on a service rendered basis. In support of the Petition, UES prefiled the testimony of Karen M. Asbury and Francis X. Wells with accompanying exhibits. UES also submitted, on March 17, 2006, its Non-G1 (all classes except G1) and G1 class Default Service tariff filing for rates effective May 1, 2006. *See* Docket No. DE 05-064.

With its Petition, UES filed a letter requesting protective treatment for certain information, including the wholesale rate and supplier charges, which would reveal the wholesale costs of power paid by UES under a Power Supply Agreement with Consolidated Edison Energy, Inc. (ConED PSA). This information is identified on Schedule FXW-1, page 3

of 3. UES asserted that the Commission had previously granted protective treatment to this type of information. See Order No. 24,526 (October 11, 2005).

On April 12, 2006, the Commission issued an Order of Notice scheduling a hearing on April 24, 2006 at 1:30 p.m. On April 13, 2006, the Office of Consumer Advocate (OCA) filed notice that it would participate in the docket on behalf of residential ratepayers.

II. POSITIONS OF THE PARTIES

A. Unitil Energy Systems, Inc.

The DSC is the mechanism by which UES recovers the costs of providing Default Service to its customers. In the instant docket, UES provided the past period reconciliation of the DSC. The ongoing reconciliation of the DSC is being considered in a separate filing, Docket No. DE 05-064.¹ UES averred that the rates resulting from Docket No. DE 05-064 will be a fixed DSC for the Non-G1 class of \$0.10180 per kilowatt-hour (kWh) for the six-month period of May 1 through October 31, 2006. This represents an increase of \$0.04649 per kWh or \$23.24 for a residential customer with usage of 500 kWh per month.

UES calculated the DSC for the G1 class in three-month blocks. UES averred that these rates will be \$0.08072 per kWh in May 2006, \$0.08149 per kWh in June 2006, and \$0.09261 per kWh in July 2006. UES stated that, at present, the G1 class DSC is fixed at \$0.13638 per kWh. The proposed rate, based on a simple three month average, is \$0.08494 per kWh. This adjustment represents an average decrease of \$0.05144 per kWh.

The TSC is the mechanism through which UES recovers its costs for providing transition service. UES estimated in its filing that, as of April 30, 2006, the Non-G1 class would have an over-collection of \$826,974 and the G1 class would have an under-collection of

\$825,806. The Petition further stated that the over-collection in the Non-G1 class was caused by an over-estimate of purchases relative to retail sales, and that the under-collection in the G1 class resulted, in part, from lower retail sales relative to purchases.

At hearing, UES modified its estimates of anticipated TSC revenues and testified that, as of April 30, 2006, the Non-G1 class would have an over-collection of \$2,524,843 and the G1 class would have an over-collection of \$76,567. In its Petition, UES proposed to net the over- and under-collections and credit the net amount to all customers on an equal per kWh basis in accordance with UES' tariff. This calculation would have resulted in a 7.0% decrease in the SCC for Non-G1 customers, and a 4.4% decrease in the SCC for G1 customers. Based on discussions with the OCA and the Commission Staff (Staff) prior to the hearing, UES developed and presented at hearing a class-based adjustment to the reconciliation of the SCC rate. This calculation resulted in a 7.7% decrease in the SCC for the Non-G1 class, and a decrease of 3.3% in the SCC for the G1 class. UES proposed the class-based reconciliation adjustment as an amendment to its Petition.

The SCC is the mechanism through which UES recovers Unitil Power Corp.'s (UPC), stranded costs from retail customers. UPC's stranded costs are billed to UES in the form of Contract Release Payments through the Amended System Agreement.

UES calculates the SCC rate in accordance with UES' tariff, Second Revised Page 70, Schedule SCC. The class SCC obligations are calculated first based on a uniform per kWh charge necessary to recover the expected stranded costs, given its estimated deliveries through April 2006, and then applying the appropriate rate design to the class-specific SCC obligation. UES testified that, in addition to the energy-based SCC, the Regular General Service

¹ Forecasted data and the DSC for Non-G1 and G1 classes are detailed in Docket No. DE 05-064.

G2 class customers and the G1 class customers also pay a demand-based SCC that was developed and approved in Docket No DE 01-247. *See* Order No. 24,072, 87 NH PUC 694 (2002).

In its filing, UES proposed an initial energy-based SCC rate of \$0.00714 per kWh for all customers. According to UES, this represents a decrease of \$0.00720 per kWh from the current rate of \$0.01434 per kWh, or slightly more than 50% for the residential, regular general service kWh meter, general service quick recovery water heating and/or space heating, controlled off peak water heating, and outdoor lighting classes. UES testified that this decrease is due primarily to lower forecasted costs, in particular lower portfolio sales charges, and a change in the prior period balance from an under-collection to an over-collection. At hearing, UES presented revised SCC calculations. UES first calculated a uniform per kWh SCC of \$0.00925. For the Non-G1 class, UES then applied the class-specific TSC over-collection on a per kWh basis, resulting in a credit of \$0.00294 per kWh. Likewise, UES also applied the TSC over-collection for the G-1 class on a per kWh basis, resulting in a credit of \$0.00021 per kWh.

UES stated that, consistent with Order No. 24,072, it employed a different rate design methodology for the regular general service G2 class and the G1 class, both of which pay a demand-based SCC in addition to an energy-based SCC.

UES testified that it developed the energy-based SCC by subtracting the demand-based revenue from the total SCC revenue calculated based on a uniform per kWh charge. However, UES stated that, because of the large decrease to the SCC, applying this method resulted in negative energy charges. To avoid negative energy charges, UES used the ratio of demand and energy revenue under current rates to develop the demand and energy components of the SCC for effect on May 1, 2006. Following this methodology for the G2 class, UES

calculated a demand-based SCC component of \$1.55 per kilowatt and a total energy-based SCC of \$0.00050 per kilowatt-hour. For its large general service G1 class, UES proposed an SCC consisting of a \$2.25 per kilovolt-ampere charge plus a total energy-based SCC of \$0.00278 per kWh.

The EDC is the mechanism by which UES recovers the costs it incurs associated with providing transmission services outside UES' system and other costs for energy and transmission services. UES explained that, for costs incurred after May 1, 2006, the costs included in the EDC exclude Default Service-related external administrative charges, which have been moved for collection through the DSC, per the Settlement Agreement in Docket No. DE 05-064 dated August 11, 2005 and approved by the Commission in Order No. 24,511 (September 9, 2005).

UES testified that the EDC is calculated by summing the prior period (over)/under recovery as of April 30, 2006, plus the estimated EDC costs and associated interest for the period May 2006 through April 2007. The total is divided by estimated kWh deliveries for the period May 2006 through April 2007.

UES stated that the EDC rate has decreased by \$0.00047 per kWh, due to a change in the prior period balance from a large under-collection of \$1,782,934 to a small over-collection (\$201,114). The total estimated increase in EDC costs, from the prior period, for the period beginning May 1, 2006, is \$1.5 million, which represents an increase from \$8,848,463 at the start of the prior period to \$10,351,797 for the period beginning May 1, 2006.

UES testified that a component of the EDC is increasing by \$1.74 million. UES offered that this cost increase is driven by ongoing transmission plant expansion in New England, which has been determined by the Independent System Operator of New England (ISO-

NE) to be necessary for reliability of the bulk power grid. UES testified that the ISO-NE Regional System Plan Project List amounts to \$1 billion of transmission investment to be put into service during 2005 and 2006. From this, and based on 2004 ratios of revenue requirement to total transmission plant for each transmission owner, UES estimated an incremental revenue requirement of \$170 million throughout New England. Because UES typically represents 1% of New England demand, UES estimated the increase for these costs as \$1.74 million.

For customers taking Default Service, the changes proposed in the instant docket, considered together with the changes arising from Docket No. DE 05-064, the Default Service filing, represent an increase of 34.5 % for the residential class, 35.1 % for the regular general service class, 18.8 % for the outdoor lighting class, and a decrease of 32.8 % for the large general service G1 class.

UES indicated that the low-income discount levels, as part of the Low Income Energy Assistance Program (LI-EAP) are also affected by the proposed rate changes. UES testified that the Electric Assistance Program Utility Procedures Manual, dated January 14, 2003, in Docket No. DE 02-034, required UES to review the impact of the proposed rates on the LI-EAP discounts. The manual states that if the change in rates does not impact discount levels by five percent or more, no change to the discount tiers is necessary. UES calculated that the discounted bill burdens under existing discount levels will change approximately 1-4% if the proposed rates are implemented. In its Petition, UES proposed to increase the discount levels by 5% for all tiers in order to bring the discounted bill burdens closer to the levels originally established (4% for base load and 6% for space-heating). After discussions with the OCA and Staff, UES proposed to modify the change in the discount rates at the hearing as follows: UES will increase the discount rates for all tiers except for tiers 3 and 4 of the space-heating category

by 10%. For tiers 3 and 4 of the space-heating category, discount rates would increase by 5%. UES stated that these adjustments to the discount rates brought the bill burdens more in alignment with the levels originally established for all tiers. Finally, UES requested that the Commission accept its Petition as amended and requested an order no later than May 1, 2006.

B. Office of Consumer Advocate

The OCA stated that it was initially concerned that the over-collections in the TSC would be credited evenly to all customers when the largest portion accrued with respect to residential customers. Consequently, the OCA offered its support for the proposal by UES to implement a class-based credit for this adjustment period. The OCA also indicated its approval for the amendment proposed by UES regarding the LI-EAP discount rate calculation. Finally, the OCA expressed its support for the UES Petition as amended.

C. Commission Staff

At hearing, Staff expressed its support for the UES filing as amended. Staff stated that it believed that the class-based credit for the over-collections in the TSC was appropriate given the amount of over-collection attributed to the Non-G1 customers. Staff also expressed support for the amendments to the adjustment of the discount rates for the LI-EAP. Staff recommended that the Commission approve the Petition as amended.

III. COMMISSION ANALYSIS

A. Confidentiality

At the outset, we address UES' request for confidential treatment of wholesale rates and supplier charges that would reveal the wholesale cost of power paid by UES under the ConEd PSA which were previously recognized by the Commission as confidential in Order No. 24,526 in Docket No. DE 05-064.

The New Hampshire Right to Know law provides each citizen the right to inspect public records in the possession of the Commission. See, RSA 91-A:4, I. RSA 91-A:5, IV, however, exempts from disclosure certain "confidential, commercial or financial information." We agree with UES, as expressed in Order No. 24,526, that wholesale rates and supplier charges constitute confidential commercial or financial information protected from disclosure by RSA 91-A.

We do not find the public's interest in review of the financial, commercially sensitive information in this instance to be sufficient to outweigh the need for UES and its supplier to maintain confidentiality of such information. *Union Leader Corp. v. New Hampshire Housing Finance Authority*, 142 N.H. 540 (1997). We will, therefore, grant protective treatment to wholesale rate and supplier information provided in Schedule FXW-1, page 3 of 3 until such time as the information is made public by the Federal Energy Regulatory Commission (FERC).²

Consistent with our practice, the protective treatment provisions of this Order are subject to the on-going authority of the Commission, on its own motion or on the motion of Staff, any party or other member of the public, to reconsider this protective order in light of RSA 91-A, should

² In Docket No. DE 05-064, UES explained that the wholesale rate and supplier charge information is reported quarterly to the FERC at the end of every quarter, and requested that such information be held confidential until

circumstances so warrant.

B. Annual Reconciliation and Rate Filing

The reconciliations and the proposed rate changes were reviewed by both the OCA and Staff. We note that UES addressed the two issues raised by the OCA and Staff, namely the preference to institute class-based crediting of the end of transition period TSC balances and to raise the LI-EAP discount rates, by offering amendments at the hearing. Other than these two issues, no substantive disagreements were identified by the OCA or Staff. Based on our review of UES' filing and the witnesses' testimony, we conclude that UES has demonstrated the cost bases for, and the accuracy of the calculations supporting, the various changes it proposes to the TSC, DSC, SCC and EDC. Accordingly, we find the proposed rate changes to be just and reasonable and in the public interest, and we will therefore approve them.

Based upon the foregoing, it is hereby

ORDERED, that Unitil Energy Systems, Inc.'s Annual Reconciliation and Rate Filing, as amended as noted above, is hereby APPROVED; and it is

FURTHER ORDERED, that UES' request for confidential treatment for wholesale rates and supplier charges is hereby GRANTED subject to the on-going rights of the Commission, on its own motion or on the motion of Staff, any party or member of the public, to reconsider in light of RSA91-A should the circumstances so warrant and until the FERC releases such information; and it is

FURTHER ORDERED, that UES shall file conforming tariffs in accordance with N.H. Admin. Rules Puc 1603.02(b) within 30 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of April, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary