STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 13-172

UNITIL ENERGY SYSTEMS, INC.

Annual Stranded Cost Recovery and External Delivery Charge Reconciliation

Order Following Hearing

O R D E R N O. 25,551

July 22, 2013

APPEARANCES: Gary Epler, Esq. on behalf of Unitil Energy Systems, Inc.; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On June 14, 2013, Unitil Energy Systems, Inc. (UES or Company) filed its annual reconciliation of adjustable rate mechanisms along with a proposed tariff. The adjustable rate mechanisms are included in UES's stranded cost charge (SCC) and external delivery charge (EDC). With its filing, UES submitted the testimonies and related schedules of Senior Regulatory Analyst Linda S. McNamara and Energy Analyst Todd M. Bohan, employees of Unitil Service Corp., an affiliate of UES that provides management and administrative services to UES. The tariffs governing the adjustable rate mechanisms were approved by the Commission in Order No. 24,072 (October 25, 2002) in Docket No. DE 01-246, the docket pertaining to UES's restructuring. UES proposed the tariff changes for effect with service rendered on and after August 1, 2013.

On June 27, 2013, the Commission issued Order No. 25,537 suspending the tariff and scheduling a hearing for July 11, 2013. On July 17, 2013, UES filed a letter containing the responses to record requests made at hearing, identified as Exhibits 3 and 4. In addition, on July

16, 2013, UES filed the Company's 2013 least cost integrated resource plan (LCIRP) pursuant to RSA 378:38.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil Energy Systems, Inc.

In prefiled testimony, UES explained that the SCC is the mechanism by which UES recovers contract release payments (CRPs) that UES agreed to pay Unitil Power Corp. (UPC) in accordance with the Amended Unitil System Agreement approved by the Commission in Order No. 24,072 and by the Federal Energy Regulatory Commission (FERC). The CRPs are paid by UES as a condition to UPC waiving certain contractual rights against UES in connection with pre-existing power supply agreements. The CRPs are equal to the sum of the following categories of costs: (1) the portfolio sales charge, (2) the residual contract obligations, (3) the Hydro-Quebec support payments and (4) true-ups from prior periods. According to the filing, UPC's last portfolio sales charge was made in October 2010 and the last residual contract obligation buyout payment was made in September 2009.

As a result, the costs which UES proposes to recover in this filing are the Hydro-Quebec support payments and true-ups from prior periods. In addition, UES testified that pursuant to a settlement agreement approved by the Commission in Order No. 25,458 (January 25, 2013), UES was permitted to recover $103,557, plus interest, through the SCC.[1] UES proposed to add $55,539.84 to the SCC for the twelve month period beginning August 1, 2013, and to recover the remainder by July, 2015.

UES testified that the SCC obligations are calculated based on a uniform energy-based per kilowatt hour (kWh) charge and then applied to each class based on the appropriate rate

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[1] See Docket No. DE 105, *Unitil Energy Systems, Inc. Petition for Approval of and Adjustment to Certain Account Balance,* for the facts underlying the adjustment agreed to in that docket.

design. In addition to the energy-based SCC, customers in the General Service G2 and the Large General Service G1 classes incur a demand-based SCC. For these classes, UES used the ratio of demand and energy revenue under current rates to develop the demand and energy components of the SCC, for effect August 1, 2013.

UES stated that the uniform energy-based SCC rate, which is applied equally to all customer classes other than G2 and G1, is increasing by $0.00018 per kWh. The resulting proposed energy-based SCC rates for the period beginning August 1, 2013 are as follows: increases for residential customers from an SCC rate of $0.00009 per kWh to an SCC rate of $0.00027 per kWh; increases for G2 customers from an SCC rate of $0.00002 per kWh to an SCC rate of $0.00006 per kWh; and increases for G1 customers from an SCC rate of $0.00002 per kWh to an SCC rate of $0.00007 per kWh.

The proposed demand-based SCC rates for G1 and G2 customers are also increasing. For G2 customers, the demand-based SCC rate will increase from $0.02 per kW to $0.06 per kW. For G1 customers, the demand-based SCC rate will increase from $0.02 per kW to $0.07 per kW. UES attributes these increases to a change in the prior period balance.

UES testified that the EDC collects UES's costs associated with (1) third party transmission providers Northeast Utilities (NU) Network Integration Transmission Service and NU Wholesale Distribution; (2) regional transmission and operating entities; (3) transmission-based assessments and fees; (4) load estimation and reporting system costs; (5) data and information services: (6) legal costs; (7) outside consulting service charges; (8) administrative costs associated with the renewable source option program; and (9) administrative service charges.

UES testified that it takes NU Network Integration Transmission Service from NU pursuant to Schedule 21-NU of the Independent System Operator (ISO) New England Transmission, Markets and Services Tariff (FERC Electric Tariff No. 3) (ISO Tariff). The regional transmission and operating component of the EDC consists of all charges from ISO-New England and primarily comprises regional network service taken pursuant to the ISO Tariff. Other costs billed by the ISO to UES include ancillary services allocated to transmission customers such as VAR support, dispatch service and black-start capability. The Wholesale Distribution component consists of distribution delivery charges that compensate Public Service Company of New Hampshire, an NU subsidiary, for the wheeling of power from the NU transmission system to UES's distribution system over certain facilities, which are classified as distribution facilities for accounting purposes and therefore are not included in the NU transmission system base.

UES calculated an increase of approximately $2.3 million for the upcoming EDC rate period of August 2013 through July 2014 over the current EDC rate period of August 2012 through July 2013, primarily driven by an increase in higher regional transmission costs. UES calculated a proposed EDC rate of $0.02006 per kWh for the period beginning August 1, 2013, which represents an increase of $0.00253 per kWh as compared to the current EDC rate of $0.01753 per kWh.

UES testified that the overall bill impacts for customers taking default service are average bill increases of 1.9% for customers in the residential class, 1.9% for customers in the general service (G2) class, and 2.6% for customers in the large general service (G1) class. Outdoor lighting customers' average bills will increase by about 1.0%. For residential customers using

650 kWh per month, the average use of UES's residential customers, monthly bills would increase by $1.76, from $94.70 to $96.46.

At hearing, the Commission asked the Company whether the rate changes proposed in its filing were consistent with its most recent filed and approved least cost integrated resource plan (LCIRP) pursuant to RSA 378:41. The Company stated that it did not believe that it had a recent LCIRP on file. The Commission issued a record request directing the Company to provide a copy of any waiver that exempted UES from filing a least cost plan. The Company filed a response on July 17, 2013 which said that UES was unable to locate a waiver request. In addition, on July 16, 2013, UES filed its 2013 LCIRP and requested a waiver of the requirement to file an LCIRP relating to electric generation and long term supply contracts pursuant to RSA 378:38-a. On July 19, 2013, by secretarial letter, the Commission granted the requested waiver.

B. Commission Staff

Staff said that it had reviewed UES's filing and determined that the Company had calculated the SCC and EDC rates by using the appropriate methodology and in a manner that was consistent with its prior annual reconciliation filings. Staff stated that, given the fact that the rates are subject to reconciliation, the Commission should approve the filing.

III. COMMISSION ANALYSIS

Based on our review of the UES filing and the evidence presented a hearing, we conclude that the Company has calculated changes to the adjustable rate mechanisms, SCC and EDC, in a manner consistent with the principles set forth in Order No. 24,072 and that the resulting rates are just and reasonable pursuant to RSA 378:7.

Pursuant to RSA 378:41, any proceeding before the Commission initiated by an electric utility that changes rates must reference the "conformity of the decision with the least cost integrated resource plan most recently filed and found adequate by the Commission." RSA 378:40 and 41. In the letter filed with the Commission on July 17, 2013, UES stated that it was unable to locate a request for waiver of the provisions of RSA 378:38; and on July 16, 2013, UES filed its 2013 LCIRP as required by RSA 378:38, which has been docketed as DE 13-195.

According to the Commission's records, UES's most recent LCIRP found adequate by the Commission was filed on April 30, 1996 in Docket No. DR 96-142. On December 22, 1997, the Commission issued a secretarial letter in Docket No. DR 96-142 finding that UES's planning process for transmission and distribution was adequate pursuant to RSA 378:39. In addition, UES filed its 2013 LCIRP on July16, 2013 after the hearing in the instant proceeding. Because the Company was unable to attest that the relief requested in this docket is consistent with its most recent filed and approved LCIRP, and given the passage of time since the last LCIRP was found adequate, we approve the reconciliation and the EDC and SCC rates on the condition that in Docket DE 13-195 the requested relief is found to conform with the newly filed LCIRP, and that the LCIRP is found to be adequate. We find that conditioning approval in this manner is in the public interest. We will address any discrepancy between the rates requested and the 2013 LCIRP, should such a discrepancy occur, in a subsequent reconciliation filing.

Based upon the foregoing, it is hereby

ORDERED, that the reconciliation and rate filing of Unitil Energy Systems, Inc. filed on June 14, 2013 is hereby conditionally APPROVED as discussed above; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc. file with the Commission, pursuant to Part Puc 1603, revised tariff pages conforming with this Order within 30 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-second day of July, 2013.

Amy L. Ignatius Chairman	Michael D. Harrington Commissioner	Robert R. Scott (KNS) Commissioner

Attested by:

Debra A. Howland
Executive Director