

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-244

UNITIL ENERGY SYSTEMS, INC.

Annual Stranded Cost Recovery and External Delivery Charge Reconciliation

Order Following Hearing

ORDER NO. 25,799

July 23, 2015

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

In this Order the Commission approves Unitil's stranded cost recovery and external delivery charge reconciliation, with rates for effect with services rendered on and after August 1, 2015. For an average residential customer using 646 kWh per month, the overall monthly bill will increase by \$1.08 (1.9%), from \$94.59 to \$96.39.

I. PROCEDURAL HISTORY

On June 17, 2015, Unitil Energy Systems, Inc. (Unitil), filed its annual reconciliation of adjustable rate mechanisms along with a proposed tariff. The adjustable rate mechanisms are included in Unitil's stranded cost charge (SCC) and external delivery charge (EDC). With its filing, Unitil submitted the testimony and related schedules of Senior Regulatory Analyst Linda S. McNamara and Energy Analyst Todd M. Bohan, both of whom are employees of Unitil Service Corp., an affiliate of Unitil that provides management and administrative services to Unitil. The tariffs governing the adjustable rate mechanisms were approved by the Commission in Order No. 24,072 (October 25, 2002) in Docket No. 01-247, the docket pertaining to Unitil's

restructuring. Unitil proposed the tariff rates for effect with services rendered on and after August 1, 2015.

The Commission issued Order No. 25,795 on June 25, 2015, suspending the tariff and scheduling a hearing for July 8, 2015.

II. POSITIONS OF THE PARTIES

A. UNITIL

Unitil explained that the SCC is the mechanism by which UES recovers contract release payments (CRPs) that Unitil agreed to pay Unitil Power Corp. (UPC) pursuant to the Amended Unitil System Agreement approved by the Commission in Order No. 24,072 (Oct. 25, 2002) and by the Federal Energy Regulatory Commission (FERC). As of this filing, the remaining category of payments recovered through the SCC is Hydro-Quebec support payments and associated true-ups from the prior period.

The Hydro-Quebec Agreements require UPC to support the Hydro-Quebec facilities through October 2020. The Hydro-Quebec support payments include all costs incurred by UPC pursuant to the Hydro-Quebec Agreements, offset by any revenues received by UPC for sales of UPC's Hydro-Quebec entitlement. Unitil said there were no applicable true-ups from the prior period.

Unitil stated that the SCC obligations are calculated based on a uniform energy-based per kilowatt hour (kWh) charge and then applied to each class according to the appropriate rate 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 charge. For those classes, Unitil uses the ratio of demand and energy revenue under current rates to develop the demand and energy components of the SCC for effect August 1, 2015. The calculation results in no change

from current rates. SCC rates will continue to be 0.018 cents per kWh for residential customers 0.004 cents per kWh for G2 customers and 0.005 cents per kWh for G1 customers. The demand-based SCC rate for G2 customers remains at 4.00 cents per kWh, and for G1 customers, the demand-based rate remains at 5.00 cents per kWh.

The EDC addresses 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 service charges, and (9) Regional Greenhouse Gas Initiative Rebates.

Unitil testified that it takes NU Network Integration Transmission Service 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 consists of Regional Network Service (RNS) taken pursuant to the ISO Tariff. Other included costs billed by the ISO to Unitil include ancillary services allocated to transmission customers such as voltage control and reactive supply service support, dispatch service, and black-start capability. The Wholesale Distribution component consists of distribution delivery charges that compensate the local subsidiary of NU (Eversource Energy d/b/a Public Service Company of New Hampshire) for the wheeling of power from the NU transmission system to Unitil's distribution system over certain facilities that are classified as distribution facilities for accounting purposes, and, therefore, are not included in the NU transmission system base.

According to Unitil, the external delivery costs for the upcoming EDC rate period are projected to be higher than those in the current period, primarily due to an increase of \$2.1 million in Regional Transmission and Operating Entities costs for the period August 2015 through July 2016. The increase is driven by an increase in the RNS rate from \$87.35 per kW-year to \$98.70 per kW-year, effective June 1, 2015. A decline in the projected NU Network Integration Service costs of approximately \$800,000 is mitigating the impact of the RNS increase. Unitil said that the net effect of those two cost categories is the primary driver of the projected increase in costs. As a result, the EDC will increase from a rate of 1.852 cents per kWh to 2.131 cents per kWh.

Unitil said that the resulting bill impacts of the SCC and the EDC will be monthly increases of 1.9% for residential customers, 2.0% for G2 customers, and 3.3% for G1 customers. Outdoor lighting average bills will increase by about 1.0%.

B. COMMISSION STAFF

Staff said that, based on its review of the filing, Unitil appropriately calculated the SCC and EDC rates and reconciliation. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

Based on our review of the Unitil filing and the evidence presented at hearing, we find that Unitil appropriately calculated changes to the SCC and EDC adjustable rate mechanisms, in a manner consistent with the principles set forth in Order No. 24,072. On that basis, we find that the stranded costs and external delivery charge rates proposed by the Company are just and reasonable pursuant to RSA 378:7. The rate changes are approved for effect with services rendered on and after August 1, 2015.

Based upon the foregoing, it is hereby

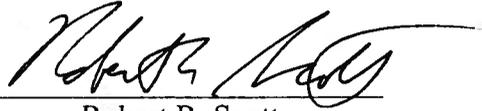
ORDERED, that the reconciliation and rate filing of Unitil Energy Systems, Inc., filed June 17, 2015, is here by **APROVED** and that the resulting rates shall be effective with services rendered on and after August 1, 2015; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc., shall file, pursuant to Part Puc 1603, revised tariff pages conforming to this Order within 20 days hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of July, 2015.

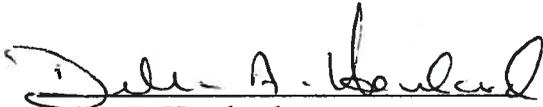


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director