

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-384

UNITIL ENERGY SYSTEMS, INC.

Petition for Permanent Rate Change

Order Approving Temporary Rate Settlement Agreement

ORDER NO. 25,915

June 28, 2016

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of Consumer Advocate by Donald M. Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves a Temporary Rate Settlement Agreement which includes a temporary increase in annual distribution revenues of \$2,425,744, resulting in an increase in distribution rates of 0.199 cents per kilowatt hour (kWh) or about \$1.19 for average residential customers who use 600 kWh per month. For customers who take energy service from Unitil, the increase represents 1.75 percent of the total bill. For customers taking energy service from a competitive supplier, the increase represents about 3.7 percent of the non-energy portion of the bill. The temporary rates are approved for effect July 1, 2016, and subject to reconciliation based on the outcome of the permanent rate case.

This order also treats Acadia Center's Motion for Clarification as if it were a motion to reconsider our initial decision in Order No. 25,906 and denies that motion.

I. PROCEDURAL BACKGROUND

On April 29, 2016, Unitil Energy Systems, Inc. (Unitil), filed a petition for temporary and permanent rate increases, accompanied by the pre-filed written testimonies, schedules and work papers of Mark H. Collin, Thomas P. Meissner, Jr., David L. Chong, George E. Long, Jr., Daniel

V. Main, Kevin E. Sprague, John F. Closson, Sara M. Sankowich, Douglas J. Debski, Robert B. Hevert, H. Edwin Overcast, and Paul M. Normand. The petition for temporary rates requested an increase in distribution service revenues of \$3.01 million for effect on July 1, 2016, a 5.8 percent increase above current distribution revenues and a 1.7 percent increase in overall revenues.

On May 2, 2016, the Office of Consumer Advocate (OCA) filed a letter of participation in this docket pursuant to RSA 363:28. On May 5, Unitil made a supplemental filing to the testimony of Paul Normand, and another supplemental filing that included information inadvertently omitted from the initial petition. Unitil filed a revised statement to customers on May 12, 2016. On May 11, 2016, Unitil filed a request for waiver of New Hampshire Code of Admin. Rules Puc 1203.02(d), for additional time in which to distribute the required statement of rate schedules to customers. No party filed an objection to that request, which the Commission granted at hearing. The Commission issued Order No. 25,900 (May 12, 2016) suspending the tariff and scheduling a prehearing conference and temporary rate hearing.

On May 31, 2016, the following parties filed petitions to intervene in the proceeding: New Hampshire Sustainable Energy Association, Revision Energy, Acadia Center, and Energy Freedom Coalition of America. The common reason stated for intervention was Unitil's inclusion, in its permanent rate request, of a proposed tariff schedule for Domestic Distributed Energy Resources (Schedule DDER). The proposed Schedule DDER sets forth rates to be charged to certain residential customers with renewable distributed generation systems installed behind the retail meter. In addition to the interventions, Conservation Law Foundation, and The Jordan Institute together with the Resilient Buildings Group, filed comments on Schedule DDER.

On June 9, 2016, the Commission issued Order No. 25,906 suspending the investigation of Schedule DDER in the instant docket pending completion of Docket No. DE 16-576, a proceeding commenced by the Commission to investigate the development of new net metering tariffs. In Order No. 25,906, the Commission deferred decisions on the petitions to intervene while the suspension of Schedule DDER is in effect.

Acadia Center (Acadia) filed a motion for clarification on June 14, 2016, stating that its petition to intervene also relied on the proposed substantial increase in monthly customer charges. Unitil filed an objection to the motion on June 20, 2016.

On June 15, 2016, Staff filed a Stipulation and Settlement Agreement on behalf of itself, Unitil and the OCA.

II. INITIAL FILING

Unitil's filing requested authorization to implement an increase of \$3,010,561 in temporary distribution base revenue effective as of July 1, 2016. The Company stated that the revenue collected under temporary rates would be subject to refund or recoupment based on the Commission's final decision in this proceeding on permanent rates. *See* RSA 378:27 and RSA 378:29.

Unitil explained that the revenue requirements analysis was developed using a pro forma test year approach for the period ending December 31, 2015. This approach utilizes "per books" data adjusted for known and measurable changes to develop normalized revenues, expenses and net operating income for ratemaking purposes. The adjusted net operating income is compared to the required operating income, based on the overall rate of return applied to test period rate base, to determine the deficiency, before taxes. The deficiency is then increased for state and federal income taxes to determine the total revenue deficiency, including income taxes. All

adjustments to the test year cost of service are based on known and measurable changes in revenues and expenses, or on changes that will become known and measurable during the course of the permanent rate case.

According to Unitil, the amount of the temporary rate request was developed based on the revenue requirement calculation, excluding the known and measurable expense adjustments used to derive permanent rates. Consistent with the permanent rate revenue requirement calculation, the temporary rate calculation uses year-end rate base. The temporary rate base includes the major addition of the Kingston substation in early 2016, which went into service prior to the proposed effective date of the temporary rates. Finally, in calculating temporary rates, Unitil used a cost of capital of 9.67 percent, which is the last authorized return approved by the Commission in Unitil's most recent rate case in Docket No. DE 10-055.

III. STIPULATION AND SETTLEMENT AGREEMENT

In the Stipulation and Settlement Agreement, Staff, Unitil, and the OCA agreed to a total annual temporary distribution service revenue level of \$2,415,744 above the current revenue level, to be effective on a service rendered basis on July 1, 2016. The proposed temporary revenue increase will be collected by applying a uniform per kilowatt hour (kWh) surcharge of 0.199 cents to all of Unitil's current rate schedules. The difference between the temporary rates and permanent rates as approved by the Commission will be fully reconciled in accordance with RSA 378:29.

As a result of the temporary revenue increase proposed in the Stipulation and Settlement Agreement, a residential customer using 600 kWh per month would experience a monthly bill increase of \$1.19. Unitil, the OCA, and Staff all agreed that the terms of the Stipulation and Settlement Agreement are just and reasonable and serve the public interest.

IV. ACADIA MOTION FOR CLARIFICATION

While Acadia agreed that it shared others' concerns about Schedule DDER, Acadia also was concerned about the proposed increase in fixed monthly customer charges. Acadia said that it has considerable experience with rate design issues and with the impacts of proposals for increased customer charges. In addition, Acadia stated that it spends considerable time, effort and monetary resources, working to ensure that utility rate design preserves incentives to use energy wisely in New Hampshire and other New England States. Based on the foregoing, Acadia said it has rights, duties, privileges, immunities and other interests that may be affected by the proceeding and its participation would not impair the orderly and prompt conduct of the proceeding. Acadia asked that it be allowed to participate in this docket as a full party.

Unitil objected to Acadia's motion. Unitil said that Acadia is not a customer of the Company and Acadia's motion for clarification merely states that Acadia has expertise, and is interested in, rate design. According to Unitil, Acadia does not explain why those interests would not be satisfied by generally monitoring the publically available files of this docket, and by submitting comments, or why its interests are not sufficiently represented by the OCA. For those reasons, Unitil requested that the Commission deny Acadia's Motion for Clarification/Petition to Intervene.

V. COMMISSION ANALYSIS

A. Acadia Motion

We have determined that it is appropriate to review Acadia's Motion for Clarification as if it were a motion to reconsider our initial decision in Order No. 25,906. The standards governing motions for reconsideration are well-known. "Pursuant to RSA 541:3, the Commission may grant rehearing or reconsideration when a party states good reason for such

belief and demonstrates that a decision is unlawful or unreasonable. Good reason may be shown by identifying specific matters that were ‘overlooked or mistakenly conceived’ by the deciding tribunal, or by identifying new evidence that could not have been presented in the underlying proceeding.” *Public Service Company of New Hampshire*, Order No. 25,506 at 16 (May 9, 2013) (citations omitted). We find that Acadia has not presented any new information that would alter our decision to defer action on Acadia’s motion to intervene. We therefore deny the motion for clarification. As Unitil pointed out, Acadia can satisfy its interest in this proceeding by reviewing materials in this docket that are available to the public.

B. Temporary Rate Case

New Hampshire Code of Admin. Rules Puc 203.20(b) provides that the Commission shall approve disposition of any contested case by settlement “if it determines that the result is just and reasonable and serves the public interest.” See also RSA 541-A:31, V(a). Nonetheless, even where all parties in a proceeding enter into a settlement agreement, the Commission cannot approve it “without independently determining that the result comports with applicable standards.” *Unitil Energy Systems, Inc.* Order No. 24,677, 91 NH PUC 416, 425-426 (2006).

RSA 378:27 requires the Commission to set temporary rates at a reasonable level, “sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the commission, unless there appears to be reasonable ground for questioning the figures in such report.” The Supreme Court has ruled that the standard for approval of temporary rates “is ‘less stringent’ than the standard for permanent rates, in that temporary rates shall be determined expeditiously, without such investigation as might be deemed necessary to a determination of permanent rates.” *Appeal of the Office of Consumer Advocate*, 134 NH

651,660 (1991). Moreover, the effective date of temporary rates may not occur prior to the date of a utility's filing of permanent rates. *Appeal of Pennichuck Water Works*, 120 NH 562, 567 (1980). Based on the record in this case, we find that the revenue increase as set forth in the Stipulation and Settlement Agreement is appropriate and the resulting rates are just and reasonable.

According to Unital's petition and pre-filed testimony, the Company's return on equity as of December 31, 2015, was 8.4 percent, less than its authorized return on equity of 9.67 percent, and that reduced return on equity indicates that Unital's current rates are causing earnings attrition. In addition, completion of the Kingston substation in early 2016 and investment in non-revenue producing improvements in existing infrastructure support a temporary revenue increase.


We find that the temporary increase to distribution revenues proposed in the Stipulation and Settlement Agreement appropriately balances the interests of customers with the interests of shareholders, and that the resulting rates are just and reasonable as required by RSA 378:5 and RSA 378:7. We also agree that it is appropriate to begin recovering the temporary revenue increase through rates effective on and after July 1, 2016. Therefore, we approve the Stipulation and Settlement Agreement in its entirety. Consistent with RSA 378:29, the permanent rates approved in this docket will be reconciled back to the effective date of temporary rates. We will decide how any over- or under- recovery will be recovered from or returned to customers following a future determination of permanent rates.

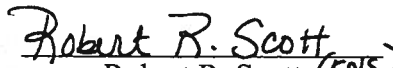
Based upon the foregoing, it is hereby

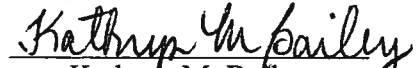
ORDERED, that the Stipulation and Settlement Agreement is APPROVED, with temporary rates to be effective July 1, 2016, on a service rendered basis; and it is

FURTHER ORDERED, that Unitil shall file properly annotated tariff pages consistent with the Settlement Agreement within 10 days of the date of this order, as required by N.H. Code Admin. Rules Puc 1603.

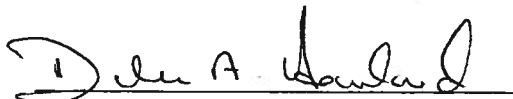
By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of June, 2016.


Martin P. Honigberg
Chairman


Robert R. Scott (RNS)
Commissioner


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director