

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-668

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing

Order Following Hearing

ORDER NO. 25,928

July 27, 2016

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; and David K. Wiesner, 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, 2016. For an average residential default service customer using 634 kWh per month, the overall monthly bill will decrease by \$0.14 (0.2%), from \$90.05 to \$89.91.

1. PROCEDURAL HISTORY

On June 17, 2016, Unitil Energy Systems, Inc. (Unitil), filed its annual reconciliation of adjustable rate mechanisms together 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 Lisa S. Glover, 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, 2016. The Commission issued Order No. 25,916 on June 28, 2016, suspending the tariff and scheduling a hearing for July 20, 2016.

On July 14, 2016, Unitil filed revisions to its filing to reflect updated expenses affecting calculation of the EDC. That revised filing included the amended testimony and schedules of Ms. McNamara and Ms. Glover, as well as revised tariff pages. The hearing on the merits was held on July 20, 2016.

II. POSITIONS OF THE PARTIES

A. Unitil

Unitil explained that the SCC is the mechanism by which it recovers stranded costs in the form of contract release payments that Unitil agreed to pay Unitil Power Corp. (UPC) pursuant to the Amended Unitil System Agreement that was approved by the Commission in Order No. 24,072 (Oct. 25, 2002) and by the Federal Energy Regulatory Commission (FERC). The contract release payment amount is equal to the sum of the portfolio sales charge, the residual contract obligations, the Hydro-Quebec support payments, and true-ups from prior periods. As of this filing, the only categories of payments or obligations that represent stranded costs recovered through the SCC are the Hydro-Quebec support payments and any associated true-ups from prior periods.

The Hydro-Quebec Agreements require UPC to support the Hydro-Quebec interconnection 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 its Hydro-Quebec entitlement. Unitil stated there were no applicable true-ups from prior periods.

Unitil explained 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 rates for the upcoming period. Unitil explained that the SCC uniform rate is decreasing by \$0.00036 (0.036¢) per kWh to become a credit of \$0.00018 (0.018¢) per kWh.

That decrease in the SCC uniform rate results in decreased SCC rates of (\$0.00018) per kWh for residential customers, (\$0.00004) per kWh for G2 customers, and (\$0.00005) per kWh for G1 customers. The demand-based SCC rate for G2 customers decreases to (\$0.04) per kW, and the demand-based SCC rate for G1 customers decreases to (\$0.05) per kVA. Each of these SCC rate changes effectively represents a decrease from a charge to a credit.

The EDC addresses costs associated with (1) third party transmission providers (Eversource Energy Network Integration Transmission Service and Eversource Energy Wholesale Distribution), (2) regional transmission and operating entities, (3) transmission-based assessments and fees, (4) load estimation and reporting system and EDI communication costs, (5) data and information services, (6) legal charges, (7) outside consulting service charges, (8) administrative service charges, (9) non-distribution portion of the annual Commission assessment, (10) working capital associated with other flow-through operating expenses, and (11) Regional Greenhouse Gas Initiative rebates. The rebate of excess Regional Greenhouse Gas Initiative auction proceeds applicable to all retail electric customers is included in the EDC in accordance with Order No. 25,664 (May 9, 2014).

Unitil testified that it takes Eversource Network Integration Transmission Service pursuant to Schedule 21-ES of the ISO New England Inc. (ISO-NE) Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (ISO-NE Tariff). The regional transmission and operating component of the EDC consists of all charges from ISO-NE and primarily consists of Regional Network Service (RNS) taken pursuant to the ISO-NE Tariff. Other included costs billed by ISO-NE 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 Public Service Company of New Hampshire, d/b/a Eversource Energy, for the wheeling of power from the Eversource 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 Eversource transmission system base.

According to Unitil, the total of EDC cost components for the upcoming EDC rate period is projected to be higher than in the current rate period, primarily due to the projected increase in costs of third party transmission providers (Eversource Network Integration Transmission Service) arising as a result of changes in Eversource Energy Service Company's estimated transmission revenue requirements from the prior period. The net effect of the differences between current period EDC cost components and those projected for the upcoming period from August 2016 through July 2017 is \$220,630. As a result of the projected cost increase, the EDC rate will increase from \$0.02131 (2.131¢) per kWh to \$0.02144 (2.144¢) per kWh.

Unitil stated that the resulting bill impacts of the SCC and EDC reconciliations will be monthly decreases of approximately 0.2% for both residential customers and G2 customers, and

0.3% for G1 customers, in each case assuming the customers take default service from Unitil. Outdoor lighting average bills will decrease by approximately 0.1%.

B. Commission Staff

Commission Staff stated that, based on its review of the revised filing, Unitil had appropriately calculated the SCC and EDC rates and reconciliation. Staff recommended that the Commission approve Unitil's petition and the proposed tariff.

III. COMMISSION ANALYSIS

Based on our review of Unitil's revised filing and the evidence presented at hearing, we find that Unitil has 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 cost charge and external delivery charge rates proposed by Unitil are just and reasonable pursuant to RSA 374:2 and RSA 378:7. The rate changes are approved for effect with services rendered on and after August 1, 2016.

Based upon the foregoing, it is hereby

ORDERED, that the revised reconciliation and rate filing of Unitil Energy Systems, Inc., as filed on July 14, 2016, is **APPROVED**, and that the resulting rates shall be effective with services rendered on and after August 1, 2016; 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 following the date hereof.

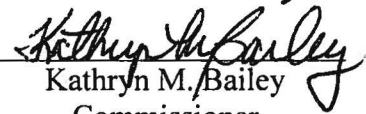
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day
of July, 2016.



Martin P. Honigberg
Chairman

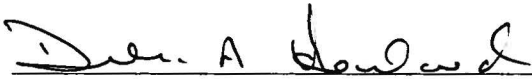


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director