

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-102

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing

Order Following Hearing

ORDER NO. 26,042

July 24, 2017

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; Consumer Advocate D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves Unitil's stranded cost charge and external delivery charge reconciliation, with rates for effect with services rendered on and after August 1, 2017. For a typical residential customer using 650 kWh per month and taking energy service from Unitil, the new rate will result in an overall increase of \$2.95 (2.7 percent) in monthly bills, from \$107.48 to \$110.43.

I. PROCEDURAL HISTORY

On June 16, 2017, 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 Unitil management and administrative services. The tariffs governing the adjustable rate mechanisms were approved by the Commission in Order No. 24,072 (October 25, 2002) in Docket No. DE 01-247, the docket pertaining to Unitil's

restructuring. Unitil proposed the new tariff rates for effect with services rendered on and after August 1, 2017. The Commission issued Order No. 26,038 (July 6, 2017) suspending the tariff and scheduling a hearing for July 20, 2017. The Office of Consumer Advocate (OCA) filed a letter of participation on July 10, 2017, pursuant to RSA 363:28.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

Unitil's 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 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 (HQ) interconnection facilities through October 2020. The HQ support payments include all costs incurred by UPC pursuant to the HQ entitlement, offset by any revenues received by UPC for sales of UPC's HQ entitlements. UPC also receives revenues for short-term sales of HQ transmission and capacity rights, and the revenues from the sales offset the expense of the Hydro-Quebec support payments. The net result of the HQ obligations and current year true-up on SCC rates for August 2017 through July 2018 is estimated as a credit to customers of \$679,986 in the current filing. The credit is included in the calculation of rates.

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 0.039 cents per kWh from the current uniform rate credit of 0.018 cents per kWh to a uniform rate credit 0.057 cents per kWh.

Residential customers will experience a SCC energy-based credit of 0.057 cents per kWh. For G2 customers, the energy-based rate will be a credit of 0.011 cents per kWh, and for G1 customers, the energy-based rate will be a credit 0.014 cents per kWh. The demand-based SCC rate for G2 customers will be a credit of 11.00 cents per kW, and the demand-based SCC rate for G1 Customers will be a credit of 14.00 cents per kVA. Each of these SCC rates represents a further increase to the current credit that constitutes the SCC.

The EDC recovers 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 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, (11) Regional Greenhouse Gas Initiative (RGGI) auction rebates, in accordance with Order No. 25,664 (May 9, 2014), and (12) displaced distribution revenue resulting from net metering.

In addition, in this filing, the EDC includes expenses associated with Unitil's most recent distribution rate case (DE 16-384), reconciliation of Unitil's expenses and revenues associated with its Reliability Enhancement/Vegetation Management plans, and regulatory expenses incurred in Commission investigative dockets. *See* Settlement Agreement in DE 16-384, Section 2.7.

The EDC is calculated by combining the prior period over/under recovery as of July 31, 2017, and the estimated EDC costs and associated interest for the period beginning August 1, 2017, and ending July 31, 2018. The total is divided by estimated calendar month kWh sales for the period August 2017 through July 2018. In its filing, Unitil proposes an EDC of 2.637 cents per kWh, applicable to all classes, for effect August 1, 2017. Unitil said that the rate increase of 0.493 cents per kWh is due to a change in the prior period balance, and an increase in forecasted period costs. Unitil explained that third party transmission providers (Eversource Energy Network Integration Transmission Service) projected higher transmission costs for the current rate period, and for the period beginning August 1, 2017. In addition, there was a change in the prior period balance due to lower RGGI auction proceeds received versus those originally forecasted. The lower RGGI auction proceeds are also reflected in the increased rate for the rate period beginning August 1, 2017.

Unitil stated that the bill impacts resulting from the change to the SCC and EDC rates for customers taking energy service from Unitil will be monthly increases of approximately 2.7 percent for residential customers. G2 average bills will increase about 3.0 percent. G1 customers will experience average bill increases of about 3.9 percent, and outdoor lighting customers will experience average bill increases of about 1.4 percent.

B. OCA

The OCA said that it did not object to the petition.

C. Staff

Commission Staff stated that, based on its review of the 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 Unitil's 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, 2017.


At the hearing, the Company explained that a portion of the EDC increase is attributed to an increase in transmission costs. Those costs are based on FERC-approved tariffs to support the regional transmission infrastructure throughout New England. The costs are billed to entities in the region based on the entity's monthly peak loads. The Commission questioned Unitil concerning its efforts to reduce peak loads to limit transmission cost increases. The witnesses did not have the requisite knowledge to respond to those questions. As other states in the region reduce their share of peak loads relative to the total regional load, New Hampshire's share of the peak, and resulting allocation of costs, increases. We direct Staff to work with the Company to consider whether measures can be taken to mitigate increases in transmission costs. We also direct Unitil in its next EDC filing to present a witness who can explain the Company's efforts.

Based upon the foregoing, it is hereby

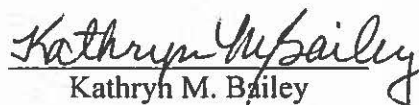
ORDERED, the Unitil's request for an adjustment to its SCC rate and EDC rate for effect on a service-rendered basis on August 1, 2017, is hereby **APPROVED**; and it is

FURTHER ORDERED, that Unitil shall file revised tariff pages conforming to this Order within 20 days hereof, pursuant to N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of July, 2017.




Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director