

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-463

UNITIL ENERGY SYSTEMS, INC.

2016 Least Cost Integrated Resource Plan

Order Approving Settlement Agreement

ORDER NO. 26,098

January 9, 2018

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

This Order finds that the Least Cost Integrated Resource Plan (LCIRP) filed by Unitil Energy Systems, Inc. (Unitil), in April 2016, is consistent with the provisions of RSA 378:38, and satisfies planning criteria. The Order also establishes additional, new requirements for Unitil's next LCIRP to assure that the next plan complies with the requirements of the law.

I. PROCEDURAL HISTORY

On April 19, 2016, Unitil filed its 2016 LCIRP pursuant to RSA 378:38 and consistent with the Commission's requirements in Order No. 25,651 (April 17, 2014), which approved Unitil's prior LCIRP. With the filing, Unitil included a motion for confidential treatment for certain information included in the filing which provided specific details concerning Unitil's energy infrastructure, the location of key facilities, and information concerning the design and configuration of Unitil's distribution system. Unitil claimed confidential treatment because the information is not disclosed by Unitil in its conduct of its business, and Unitil takes steps to protect this information from unauthorized or accidental disclosure. The Commission granted Unitil's motion at the hearing on the merits.

The Office of Consumer Advocate (OCA) filed a letter of participation under RSA 363:28 on May 9, 2016, and the Commission issued an Order of Notice on August 15, 2016. Pursuant to the procedural schedule, the parties engaged in discovery. Staff and Unitil entered into settlement discussions and filed a proposed settlement agreement (Settlement) on April 7, 2017. A hearing on the merits was held April 12, 2017.

All documents filed in this docket, with the exception of any information claimed as confidential by Unitil or found confidential by the Commission, are available on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-463.html>.

II. INITIAL FILING AND SETTLEMENT

A. Unitil's Initial Filing

Unitil's LCIRP consisted of a 31-page narrative description of its planning process and over 400 pages of appendices, including a system improvement planning budget flow diagram, as well as planning guidelines, studies and recommendations. Unitil explained that through its affiliate, Unitil Service Corp., it fulfills its planning obligations by performing various ongoing assessments of short- and long-term requirements and capabilities of its system. These activities include distribution system planning to evaluate primary distribution circuits and substations, electric system planning to evaluate Unitil's subtransmission facilities and system supply points, joint system planning to evaluate the external delivery system which provides Unitil access to regional transmission and generation resources, and participation in statewide and regional transmission planning efforts. In addition, Unitil's process includes demand-side resource planning.

Unitil's service territory consists of two electric distribution systems: the Capital system and the Seacoast system. The two systems are geographically separate and operate

independently of each other. As their names imply, they serve customers in and around Concord and in the Seacoast region, respectively.

Unitil does not own any generating facilities within either of its operation systems, nor does it own any transmission facilities. As a result, Unitil is dependent on others to provide the physical access to the region's transmission and generation resources. Unitil receives transmission service from Eversource for connection to the region's transmission system. With the exception of one 115 kV/34.5kV substation owned by Unitil, power is delivered at several locations to both the Capital and Seacoast systems at the 34.5 kV distribution level.

According to Unitil, the subtransmission system is considered part of its distribution system, and is included within the Company's distribution facilities.¹ The Capital distribution system consists of 48 distribution circuits, and a subtransmission system of 7 lines. The Seacoast distribution system is made up of 43 distribution circuits and a subtransmission system of 18 lines.

Because Unitil's subtransmission system is treated as part of the Company's two geographically distinct distribution systems, separate planning studies are completed for each system. The study process examines a ten-year forecast of subtransmission system conditions to identify when individual equipment loading and voltage performance concerns will occur, and proposes specific system modifications and recommendations to meet Unitil's system planning requirements. Unitil said the average peak load is provided as a guide for general load growth discussions not related to system infrastructure planning.

¹ Unitil's subtransmission system is a collection of parallel 34.5kV lines, switching stations, and substations that are operated redundantly. The system is designed to maintain service to the distribution network under various conditions.

Unitil's distribution planning consists of radial circuit analysis planning, circuit load forecasting, and loading reviews of its distribution substation, transformers, and equipment. Unitil conducts distribution system planning every year. The review is based on a five-year load forecast to identify individual equipment loading and voltage performance concerns, and identifies specific system modifications and recommendations. The five-year plan considers the five years of summer and winter peak demands for each individual circuit. Normal ratings for each circuit are reviewed, and the summer and winter peak-load projections for the five-year study period are compared to those ratings. In circuits where projected loads reach 90 percent of the ratings for any circuit, individual assessments are made to determine whether the loading condition requires remediation or only further monitoring. In circuits where remediation is recommended, specific options are outlined which include project descriptions, justifications, and predicted benefits.

Unitil said it also participates in an annual joint system planning process with Eversource to establish an integrated least cost plan of wholesale delivery facilities that affect both utilities' systems. A joint planning committee of Unitil and Eversource representatives consider the application of consistent planning criteria using agreed upon system data; the total cost of planned additions, including internal costs of each utility; the reliability impacts of planned additions and modifications; operational considerations, system losses, and maintenance costs; technical considerations for standardized designs and equipment; and the requirements of the wholesale supply contract. Unitil said it also attends meetings of the New England Power Pool Reliability Committee, which advises ISO New England about design and oversight of reliability standards for the New England bulk power system.

Unitil's LCIRP also addressed distributed generation, smart grid, grid modernization, and demand-side energy management programs. Unitil attached numerous appendices to the LCIRP containing work flow charts, planning studies, distribution planning guidelines, joint study recommendations, and a grid modernization plan.

B. Settlement Agreement

Under the Settlement, Unitil and Staff agree that Unitil's LCIRP filing is consistent with the provisions of RSA 378:38, and that the Commission should accept the filing. The parties agree that the Settlement does not propose a waiver of any statutory requirement for Unitil's next LCIRP, but Unitil reserves the right to ask for such a waiver prior to filing its next LCIRP pursuant to RSA 378:38-a.

In addition to the categories of information Unitil provided in the 2016 filing, Unitil agrees to provide (1) the most recent list of proposed capital projects presented to management during the most recent planning session, and (2) detail regarding the steps taken through each stage of the planning process for each of the three highest-cost distribution capital projects for the two previous years, and additional information including the evaluation that was performed to ensure that the most reliable and cost-effective alternative was chosen. This latter category of information applies to capital projects with a status of in service, under construction, or planned.

III. POSITIONS OF THE PARTIES

A. Unitil

Unitil asked that the Commission approve the Settlement and noted that it had filed its LCIRP to include what the Commission required in its 2013 LCIRP as described in Order No. 25,651. Unitil said that the Company is trying to prepare for the future and to respond to

changing technologies, political pressures, consumer desires, and other recent events. Unitil said it would respond to any ideas, suggestions, and direction the Commission may order.

B. OCA

The OCA opined that the Commission and its Staff have allowed and encouraged the state's electric distribution utilities to treat the obligation to file an LCIRP as a make-work exercise with little purpose. The OCA suggested that the LCIRP filed by Unitil does not allow the Commission to give it appropriate review as required by RSA 378:39.

The OCA said there is a disconnect between the LCIRP and the investigation into grid modernization initiated by the Commission, as well as the docket related to net metering. The OCA urged the Commission to put the utilities on notice that there will be a new era in least-cost planning, one that requires utilities to prove their systems are least cost. The OCA said it would be appropriate for the Commission to convene a working group to develop different ideas as to what should constitute a least cost plan.

C. Staff

Staff said that the LCIRP submitted by Unitil satisfies the requirements of the prior order as well as the statute as it exists at this point in time, and the Settlement enhances the process by allowing Staff to evaluate how the Company reviews alternate solutions and other issues related to decisions on capital investment. Staff recommended that the Commission approve the Settlement.

IV. COMMISSION ANALYSIS

At the outset, we recognize that Unitil is a distribution utility that procures power for those customers who have not selected a competitive electricity supplier through a solicitation process that we approved in 2006. Consequently, pursuant to our authority under RSA 378:38-a

we waive the requirement that Unitil provide an assessment of supply options, including owned capacity and renewable energy (RSA 378:38, III), an assessment of the plan integration and impact on compliance with the Clean Air Act of 1990, and other environmental laws (RSA 378:38, V), and an assessment of plan short-term and long-term environmental, economic, and energy price and supply impacts on the state (RSA 378:38, VI). Finally, because the Commission has an open proceeding on grid modernization, an issue raised in the state energy strategy, we waive the requirement that Unitil provide an assessment of the plan's consistency with the state energy strategy (RSA 378:38, VII). Having waived those provisions, we must evaluate Unitil's LCIRP for consistency with the requirements in the remainder of RSA 378:38.

RSA 378:38, I, requires a forecast of future demand for the utility's service area. In its filing, Unitil provided its average peak design load forecasts and modeling, along with a narrative explanation, for the Capital and Seacoast regions. *See* Unitil 2016 LCIRP at 6-12. These forecasts satisfy the requirement of RSA 378:38, I.

RSA 378:38, II requires a utility to include in its LCIRP an assessment of demand-side energy management programs, including conservation, efficiency and load management programs. Unitil addresses demand-side management programs and related issues in its LCIRP. *Id.* at. 25-31. In this section of the LCIRP, Unitil discusses energy efficiency programs and its impact on Unitil's contribution to the New England system peak.

Finally, RSA 378:38, IV requires an assessment of distribution and transmission requirements, including an assessment of the costs and benefits of smart grid technologies. Unitil's LCIRP includes a description, including related exhibits and attachment, of its distribution and transmission planning process, *id.* at 12-17, and its assessment of smart grid, *id.* at 21-24.

Based on our review, we find that all the sections of RSA 378:38 that we have not waived, sections RSA 378:38, I, II, and IV, have been addressed by Unitil in its 2016 LCIRP. We acknowledge that our earlier order directing Unitil's filing in this case was issued prior to the amendments to RSA 378:37-:41. Although Unitil's filing is consistent with our prior order, it lacks some of the detail required by the amended statute. We have also reviewed the Settlement between Unitil and Staff. The Settlement requires Unitil to present certain specific information in future filings for purposes of allowing a thorough review of how the planning process comports with the plan. We find that the Settlement is reasonable and in the public interest, and therefore approve the Settlement.

We direct Unitil to address all of the statutory elements of RSA 378:38 in its next LCIRP in sufficient detail and with supporting analysis, so that reviewing parties may evaluate the plan against the relevant statutory standards. In addition to cost comparisons of the various alternatives considered, we will require more detailed evidence of reliability, environmental, economic, and health related impacts. Unitil has the burden to meet the requirements of RSA 378:38, and to demonstrate that its planning process results in the adoption of least cost options that meet the standards articulated in RSA 378:39 by which the Commission is required to evaluate the plan. We encourage Unitil to consult with Staff to assure that its next filing is complete.

We recognize that the OCA did not take a position on the Settlement, but offered a critique of the process and the overall value of having the Commission review what the OCA opines is an outdated planning document. We believe the above requirements respond to the concerns raised by the Consumer Advocate at hearing.


Based upon the foregoing, it is hereby

ORDERED, that Unitil Energy Systems, Inc.'s, 2016 Least Cost Integrated Resource Plan filed on April 28, 2016, is hereby APPROVED; and it is

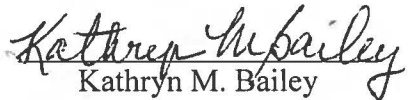
FURTHER ORDERED, that the Settlement Agreement between Unitil Energy Systems, Inc., and Staff is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc. shall file its next LCIRP no later than two years from the date of this order.

By order of the Public Utilities Commission of New Hampshire this ninth day of January, 2018.




Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director