

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 19-043

UNITIL ENERGY SYSTEMS, INC.

**Petition for Step Adjustment Effective May 1, 2019, and
Proposed Changes to the Storm Recovery Adjustment Factor
Effective May 1, 2019**

Order Approving Petition

ORDER NO. 26,236

April 22, 2019

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

This order authorizes Unitil to implement a step increase to distribution rates for effect with services rendered on and after May 1, 2019. The step increase was planned as part of Unitil's last rate case. The increase is being offset by a reduction in the Storm Recovery Adjustment Factor charge. The result for a residential customers using 600 kWh per month will be a monthly bill decrease of 7 cents, or a decrease of 0.1 percent.

I. PROCEDURAL BACKGROUND

On February 28, 2019, Unitil Energy Systems, Inc. (Unitil or the Company), filed a petition for a step increase to base distribution rates. The filing was made pursuant to a settlement agreement (Settlement Agreement) approved in Order No. 26,007 (April 20, 2017) in Unitil's most recent distribution rate case Docket No. DE 16-384. The Settlement Agreement authorized Unitil to request three annual step adjustments, the aggregate total of which could not exceed \$4.5 million. Each step increase is based on Unitil's annual change in net utility plant – in other words, its net capital investments – from the prior year.

Unitil's initial request included the step increase, an additional adjustment to its Storm Recovery Adjustment Factor (SRAF), and a request unrelated to the step increase regarding an over-collection in the Company's 2018 Reliability Enhancement and Vegetation Management Programs (REP/VMP).

Unitil included with its filing tariffs reflecting the proposed changes and the supporting testimony of Todd R. Diggins, Director of Finance for Unitil Service Corp.

The Office of the Consumer Advocate (OCA) filed a letter of participation on March 4, 2019, pursuant to RSA 363:28. On March 19, the Commission issued Order No. 26,226, suspending the tariff changes proposed in Unitil's filing, and scheduling a hearing for April 15, 2019. At hearing, Unitil withdrew its request that the REP/VMP funding issue be considered in this docket.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-043.html>.

II. POSITIONS OF THE PARTIES

A. Unitil

Unitil requested approval of proposed tariffs to implement the step increase with rates effective May 1, 2019, based on its net change in utility plant in 2018. In addition, Unitil requested that the SRAF be adjusted for effect on May 1, to reflect (1) the full recovery of costs associated with the December 2008 ice storm and the February 2010 wind storm, and (2) the shift of cost recovery for 2018 Winter Storm Quinn from the Major Storm Cost Reserve (MSCR) fund. In the filing, Unitil reported that no events occurred in 2018 to initiate either the earnings sharing or exogenous events provisions of the Settlement Agreement.

Unitil testified that the revenue requirement associated with the step adjustment was determined according to the terms of the Settlement Agreement. In 2018, Unitil recorded \$7,573,212 in capital additions. Unitil calculated the associated revenue requirement to be \$1,443,072, but requested recovery of \$341,808. Unitil explained that because of prior step increases in 2017 and 2018, and the \$4.5 million cap, the step adjustment to take effect May 1, 2019, was limited to \$341,808.

Regarding the SRAF, the proposed change would eliminate the current charge for the December 2008 ice storm and the February 2010 wind storm, and would allow costs associated with the Winter Storm Quinn to be recovered through the SRAF over a period of three years.

Unitil explained that the \$1,550,964 associated with the Winter Storm Quinn, and the related carrying costs of \$67,759, are currently deferred in the Major Storm Cost Reserve fund. In support of its request, Unitil testified that the Winter Storm Quinn qualifies as a major storm, and its costs are eligible for recovery through the SRAF. Unitil explained that the Company currently receives annual revenue of \$800,000 for the MSCR fund through distribution rates. Unitil pointed out that the revenue amount was set at a level to deal with more frequent storms not generally considered to be extraordinary in magnitude, unlike Winter Storm Quinn.

With the end of recovery of the December 2008 ice storm and February 2010 wind storm cost through the SRAF, and the addition of Winter Storm Quinn cost recovery through the SRAF, the SRAF will decrease by 0.049 cents per kWh. Unitil requested that the Commission approve its requests for the step increase, and the adjustment to the SRAF, for effect with rates on May 1, 2019.

B. OCA

The OCA said it supported the rate modifications proposed by Unitil.

C. Staff

Staff said it had reviewed the filing and determined that Unitil appropriately calculated the step increase. Staff also stated its support to Unitil's proposed changes to the SRAF.

III. COMMISSION ANALYSIS

We approved the methodology for the 2019 step increase in Order No. 26,007 in Unitil's last distribution rate case. Subject to the review by the Commission's Audit Staff and any necessary reconciliation resulting from the audit, we approve the calculation of the step increase as proposed in Unitil's filing, and its addition to distribution rates effective May 1, 2019.

Regarding the SRAF, we approve the end of the recoupment of the costs associated with the December 2008 ice storm and February 2010 wind storm through the SRAF, effective with May 1, 2019 rates, and the shift of cost recovery of 2018 Winter Storm Quinn from the MSCR to the SRAF. In addition, we approve the recovery of Winter Storm Quinn costs over a period of three years.

We find the resulting rates are just and reasonable as required by RSA 378:5 and 378:7 and, therefore, approve the tariff changes proposed by Unitil to implement recovery of the step adjustment and the changes to the SRAF. The result of these changes for a residential customer using 600 kWh per month will be a monthly bill decrease of 7 cents per month, or a monthly bill reduction of 0.1 percent.

Based upon the foregoing, it is hereby

ORDERED, that the step increase to distribution rates as proposed in Unitil's filing is hereby APPROVED; and it is

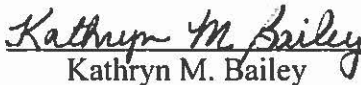
FURTHER ORDERED, that Unitil's proposed changes to the Storm Recovery Adjustment Factor are hereby APPROVED; and it is

FURTHER ORDERED, that Unitil shall file tariff pages conforming to this order within 15 days hereof as required by N.H. Code Amin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-second day of April, 2019.



Martin P. Honigberg
Chairman

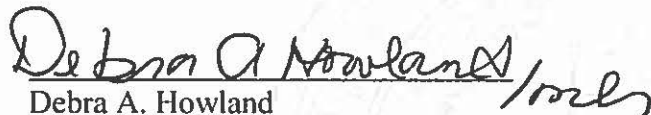


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

