

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 19-111

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing

Order Approving Rate Adjustments

ORDER NO. 26,278

July 31, 2019

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of the Consumer Advocate, by Brian D. Buckley, Esq., on behalf of residential ratepayers; and F. Anne Ross, Esq., on behalf of Commission Staff.

This order approves Unitil's stranded cost charge and external delivery charge reconciliation, with rates effective on and after August 1, 2019. Under the new rates, average monthly bills for typical residential customers using 650 kilowatt hours per month will increase from \$108.65 to \$109.96, or 1.2 percent.

I. PROCEDURAL HISTORY

On June 17, 2019, Unitil Energy Systems, Inc. (Unitil), filed its annual reconciliation of adjustable rate mechanisms, and included its Stranded Cost Charge (SCC), External Delivery Charge (EDC), and a proposed tariff. Unitil proposed the new tariff rates effective for services rendered on and after August 1, 2019. The Commission suspended the tariff and scheduled a hearing. *See* Order No. 26,268 (July 2, 2019). On June 20, 2019, the Office of the Consumer Advocate (OCA) filed a letter notifying the Commission that it would be participating in this proceeding. Staff filed a recommendation on July 23, 2019, and the Commission held a hearing on July 25.

Unitil's 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/2019/19-111.html>.

II. POSITIONS

A. Unitil

1. Stranded Cost Charge

The Company's Stranded Cost Charge recovers contract release payments that Unitil pays to Unitil Power Corp. (UPC) under the Amended Unitil System Agreement, which was approved in *Concord Electric Company*, Order No. 24,072 (October 25, 2002). The contract release payment amount is made up of a portfolio sales charge, residual contract obligations, Hydro-Quebec (HQ) interconnection facility support payments, and true-ups from prior periods. As of this filing, only the HQ support payments and true-ups from prior periods are recovered through the SCC.

UPC is required to support HQ interconnection facilities through October 2020. The HQ support payments include all costs incurred by UPC, offset by any revenues received by UPC for the sale of UPC's HQ entitlements.

The net result of the HQ obligations and current-year true up on SCC rates for August 2019 through July 2020 is an estimated credit to customers of \$355,232. The credit is included in the calculation of rates. Unitil testified that the SCC uniform rate is increasing by 0.089 cents per kilowatt hour (kWh), which will reduce the credit from 0.101cents per kWh to 0.012 cents per kWh.

Unitil stated that rates are calculated using a uniform energy-based per kWh charge, applied to each class according to the appropriate rate design. Customers in the General Services

(G2) and the Large General Service (G1) classes incur both an energy-based and a demand-based SCC charge. The energy and demand components of the new SCC rates are based on the ratio of energy and demand revenue under current rates. For G2 customers, Unitil calculated an energy-based SCC credit of 0.002 cents per kWh and a demand-based credit of 2 cents per kW. For G1 customers, Unitil calculated an energy-based credit of 0.003 cents per kWh and a demand-based credit of 3 cents per kVA. Residential customers will receive a credit of 0.012 cents per kWh.

2. External Delivery Charge

The EDC primarily recovers costs associated with transmission services including:

(1) charges from third-party transmission providers (Eversource Energy Network Integration Transmission Service and Eversource Energy Wholesale Distribution); (2) charges from regional transmission and operating entities; (3) transmission-based assessments and fees; (4) load estimation and reporting systems and communication costs; (5) third-party costs related to data and information services; (6) legal charges; (7) outside consulting service charges; (8) administrative service charges; (9) the non-distribution portion of the annual Commission assessment; (10) transmission-related working capital; (11) Regional Greenhouse Gas Initiative (RGGI) auction rebates; (12) displaced distribution revenue resulting from net metering; and (13) other special assessments charged to Unitil associated with the expense of experts employed by the OCA.

Unitil testified that item (1) was primarily based on local network service (LNS) charges and that item (2) was primarily based on regional network service (RNS) charges. LNS and RNS rates are regulated by the Federal Energy Regulatory Commission (FERC). Unitil reported that the RNS rate for the period August 2019 to July 2020 approved by FERC is \$111.94 per

kW-yr which translates to \$18.74 per MWh. Unitil reported that the LNS revenue requirement translates to \$1.93 per MWh. *See* Exh. 3.

In addition, the EDC includes the over- or under-collection from Unitil's Reliability Enhancement Program (REP) and Vegetation Management Program (VMP). For calendar year 2018, the Company underspent the Storm Resiliency Program (SRP) budget, which is part of the REP/VMP, by \$447,203. This underspend, coupled with a higher than typical payment of \$952,732 from Consolidated Communications for vegetation management as part of a cost-sharing agreement, are the main contributors to an over collection of \$754,813. Unitil proposed a credit of \$487,257 in the EDC mechanism effective May 1, 2019. Under Unitil's proposal, the remaining \$267,556 credit would be added to the \$1,423,000 in the 2019 Storm Resiliency Program budget for a total of \$1,690,556, in order to complete 9 miles of 2018 carry-over SRP work and 31 miles of 2019 proposed SRP work.

The EDC is calculated by combining the prior period over- or under-recovery as of July 31, 2019, with the estimated EDC costs and associated interest for the following twelve-month period beginning August 2019. The result of Unitil's proposal would be an EDC of 2.502 cents per kWh, applicable to all rate classes, effective August 1, 2019. According to Unitil, under its proposal, the total EDC will have increased by 0.113 cents per kWh. This is due primarily to higher forecasted transmission costs for the twelve-month period beginning August 2019.

Unitil testified that under its proposal, the change in SCC and EDC rates results in a monthly increase of approximately 1.2 percent for residential customers. The G2 and G1 customer average monthly bills will increase about 1.4 and 1.9 percent, respectively. Outdoor lighting average monthly bills will increase approximately 0.6 percent.

B. OCA

The OCA supported Unitil's proposed SCC rates, but did not support the Company's proposal to reduce the \$754,813 credit in the EDC rate by \$267,556. The OCA agreed with Staff's recommendation to reduce the EDC by crediting customers with the entire \$754,813 over-collection from the prior period.

C. Staff

Staff recommended the approval of the SCC rate as proposed. Staff did not recommend the approval of the EDC rate as proposed. Instead, Staff recommended that the Company reflect the entire \$754,813 over-collection as a credit toward the EDC rate effective August 1, 2019. Staff explained that Unitil has not demonstrated that increasing the SRP budget by \$267,556 is reasonable given the increased regional demand for specialized tree trimming crews needed to perform the SRP work.

III. COMMISSION ANALYSIS

We find that Unitil has appropriately calculated the changes to the SCC and EDC adjustable rate mechanisms, consistent with Order No. 24,072. On that basis, we find that the SCC and the EDC rates proposed by Unitil are just and reasonable pursuant to RSA 374:2 and RSA 378:7. We do not approve the reduction to the Storm Resiliency Program budget proposed by Staff and supported by the OCA. In light of Unitil's overall past SRP completion and the Company's recently adopted tree vendor process initiatives, the Commission will evaluate the Company's capability to perform the additional SRP work based on the 40 miles proposed for 2019. Given Unitil's testimony at hearing that it has already completed 9.0 miles of the 2018 work carried over into 2019, it appears that the Company is on track to complete the work

scheduled for 2019. We approve the rate changes as proposed by Unitil for effect with services rendered on and after August 1, 2019.

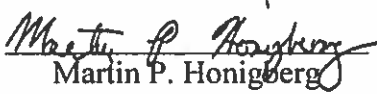
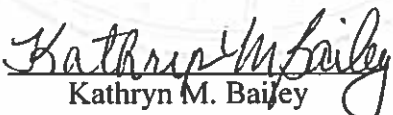

At the hearing we questioned Unitil about its efforts to reduce peak demand. Unitil indicated that it had not yet focused on a peak load reduction strategy, although its energy efficiency programs may indirectly serve that purpose. We note that the allocation of transmission costs to New Hampshire electric utilities is a function of peak load and we urge Unitil to develop initiatives geared at mitigating and reducing customer demand during times of peak use. We direct Unitil to report on such efforts in its next annual filing.

Based upon the foregoing, it is hereby

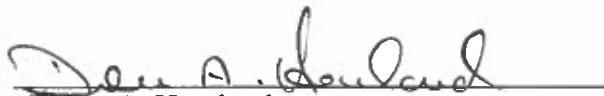
ORDERED, that the request by Unitil Energy Systems, Inc., for adjustments to its stranded cost charge and external delivery charge rates, for effect on a service-rendered basis on August 1, 2019, is hereby **APPROVED**; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc., 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 thirty-first day of July, 2019.

 Martin P. Honigberg Chairman	 Kathryn M. Bailey Commissioner	 Michael S. Giaimo Commissioner
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Attested by:


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