

THE STATE OF NEW HAMPSHIRE

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March 27, 2008

Re: Docket No DE 08-015  
Unitil Energy Systems, Inc.  
Default Service Solicitation and Proposed Default Service Rates  
Order No. 24,838 - Errata

To The Parties:

The Commission issues the following errata for Order No. 24,838 issued in the above-captioned docket on March 21, 2008.

On page 6, the May rate for G1 customers is \$0.11451 per kWh, not \$0.10898 per kWh.

On page 7, the increase for Large Commercial and Industrial Customers should be 8.7 percent, not 6.7 percent.

On page 8, the Non-G1 adder for compliance with RPS should be \$0.00119 per kWh, and the G1 RPS adder should be \$0.00117 per kWh.

Finally, on page 12, the contract for Non-G1 customers is for a period of 12 months beginning May 2008.

All other portions of this order remain unchanged. Please substitute the enclosed revised pages to your copy of Order No. 24,838.

Sincerely,

A handwritten signature in cursive script that reads "Debra A. Howland".

Debra A. Howland  
Executive Director & Secretary

UES testified that it determined the implied cost of capacity reflected in the energy-and-capacity bids by calculating the difference between the energy-and-capacity prices and the energy-only prices. On March 6, 2008, UES provided Staff and the OCA with its initial analysis of the implied cost of capacity reflected in the indicative bids. UES stated that it then evaluated the implied cost of capacity reflected in the bids by comparison to its own estimates of the capacity costs, which are detailed in the confidential material in Tab A. As a result of this analysis, UES determined that it would be in the best interest of both its G1 and Non-G1 customers to select a bid that provides a fixed all-inclusive energy-and-capacity cost.

Based on its selected bids UES developed Non-G1 rates by dividing the total costs for each month (May through October), including a partial reconciliation of costs and revenues through January 2008, by the estimated monthly Non-G1 kWh purchases. UES then applied an estimated loss factor of 6.4 % to arrive at the proposed retail charges which vary from month to month. The fixed default service charge is calculated in a similar manner, except that the calculation is based on the totals for the entire six month period. Using this methodology, UES calculated a fixed default service charge for Non-G1 customers of \$0.10291 per kWh, which is an increase of \$0.00757 per kWh or 7.9% from the current fixed default service charge of \$0.09534. UES attributes most of this increase to the fact that the current rate reflects a large overcollection, whereas the proposed rate reflects a small overcollection.

For G1 customers, who pay fixed monthly rates which vary from month to month, the default service rates would be as follows:

Month	May	June	July
Rate per kWh	\$0.11451	\$0.11784	\$0.13143

UES stated that the current default service charge, based on a simple three-month average, is \$0.10898 per kWh, and the proposed default service charge similarly calculated is \$0.12126 per kWh. The difference, \$0.01228 per kWh, is equivalent to an increase of 11.27%. UES attributes the increase largely to the change in market prices.

Based on UES' calculations, the change in the default service component of retail rates will result in average customer bill increases of:

Customer Class:	Increase:
Residential	5.1%
General Service	5.3%
Large Commercial and Industrial	8.7%
Outdoor lighting	3.0%

For a typical residential customer using 500 kWhs per month, bills would increase from \$75.68 per month to \$79.46; residential customers using 750 kWhs per month would see their bills increase from \$109.94 to \$115.62.

UES noted that on March 14, 2008, it filed proposed increases in its stranded cost charge and external delivery charge and that the final rates effective May 1 would represent an increase, for residential customers, of about 8% over current rates. UES stated that the filing also includes the company's quarterly customer migration report, and noted that 77.6% of G1 customers take competitive supply.

UES testified that the company and Staff had discussed whether the default service administrative costs appropriately reflected the man-hours and associated labor costs of the Energy Contracts personnel devoted to UES' default service. UES said that, to address this concern, the company, Staff and the OCA had agreed that UES would begin to track more closely the Energy Contracts group man-hours attributable to UES' default service.

UES concluded by requesting that the Commission approve its petition and find that; UES has followed the solicitation process approved by the Commission; that its analysis of the bids is reasonable; that it has demonstrated that the resulting power supply costs are reasonable; and that the resulting rates are reasonable.

**B. Office of Consumer Advocate**

The OCA focused its cross-examination on the Renewable Portfolio Standard (RPS) adder which the Company created to comply with the Electric Renewable Portfolio Standard statute, RSA Chap. 362-F. In response to questions asked by the OCA, UES described how the company had calculated the adder. UES noted that it has to purchase Renewable Energy Credits (RECs) in an amount equivalent to 4% of its total megawatt hours, 0.5% representing Class IV (small hydro) and 3.5% representing Class III (eligible biomass). UES stated that if it could not purchase the requisite number of RECs, the company would have to make Alternative Compliance Payments (ACP) to the Renewable Energy Fund.<sup>1</sup> To derive an RPS adder, the company calculated, for each month from the period beginning May and ending October 2008, the total MWh it expected to purchase at wholesale. The company multiplied the resulting monthly amount by \$28.00, the ACP amount for Classes III and IV, to derive the REC cost at wholesale and then converted this cost to a per kWh adder at retail.<sup>2</sup> UES said that for Non-G1 customers the adder at the retail level would be \$0.00119 per kWh. For G1 customers the adder would be \$0.00117 per kWh. In further response to questions by the OCA, UES stated that it would track the costs of the RECs and that these costs would be included in its annual reconciliation calculation.

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<sup>1</sup> For detailed information, see N.H. RSA Chap. 362-F, Electric Renewable Portfolio Standard.

<sup>2</sup> kWh sales adjusted for losses.

such information insofar as it can redound to customers through lower rates. *Union Leader Corp. v. New Hampshire Housing Finance Authority*, 142 N.H. 540 (1997). We will, therefore, grant protective treatment to the information in Tab A, including the Bid Evaluation Report, "Provision for Uncollected Account," "Wholesale Rate," and "Supplier Charges" values in KMA-3 and the PSA. Consistent with past practice, the protective treatment provisions of this Order are subject to the on-going authority of the Commission, on its own motion or on the motion of Staff, any party or other member of the public, to reconsider this protective order in light of RSA 91-A, should circumstances so warrant.

#### **B. Default Service**

Regarding UES' analysis of the bids and its selection of the winning bidders, we find that it substantially complied with the procedures approved in Order No. 24,511 for the G1 default service solicitation for the three months May 2008 through July 2008. We also find that UES substantially complied with the bid procedures regarding its selection of a supplier for one 25% block of default service requirements for Non-G1 default service customers for the twelve-month period beginning May 2008. We are satisfied that UES met all procedural requirements set forth in prior orders and the result is consistent with the requirement of RSA 374-F:3, V(c) that default service "be procured through the competitive market." We also find that UES' evaluation of the bids and its selections of FPL Energy as supplier for G1 supply, and Constellation as supplier for Non-G1 DS supply, are reasonable. We approve UES' request to include the wholesale power costs reflected in the winning bids in default service rates beginning May 1, 2008.

We agree with Staff that UES should address in its testimony events such as unexpected or unusual increases in default service related bad debt expenses, the recovery of supplier charges related to prior periods, and the calculation of the RPS adder. We also agree with the

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**FILING INSTRUCTIONS:    PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),  
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:**  
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