

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-277

UNITIL ENERGY SYSTEMS, INC.

Petition to Increase Storm Adjustment Recovery Factor

ORDER OF NOTICE

On December 16, 2011, Unitil Energy Systems, Inc. (UES) filed a petition to increase its storm recovery adjustment factor (SRAF) effective May 1, 2012. UES said the increase was necessary to recover the costs of repairing damage to its electrical system resulting from the August 2011 tropical storm and the October 2011 snow storm. In support of its request, UES filed testimony with related exhibits and attachments and an illustrative tariff. UES requested that the SRAF be increased from its current level of \$0.00096 per kilowatt hour (kWh) to \$0.00270 per kWh effective May 1, 2012. According to UES, a residential customer on Default Service using 600 kWh would experience a bill increase of \$1.04 or 1.2% under UES's proposal.

The petition states that the Commission approved a Settlement Agreement in UES's most recent distribution rate case which created two cost recovery mechanisms for major storm damage to UES's electrical system. *See*, Order No. 25,214 (April 26, 2011) in Docket No. DE 10-055. First, the Settlement Agreement established a Storm Reserve to allow for the recovery of costs associated with qualifying major storms through UES's base rates. The Settlement Agreement defined qualifying storms as severe weather events causing 16 concurrent troubles (interruption events occurring on either primary or secondary lines) and 15% of customers interrupted, or 22 concurrent troubles, in either the Capital or Seacoast regions of UES, as well as costs associated with planning and preparation activities in advance of severe weather if a

qualifying major storm is likely occur. Order No. 25,214 allowed the Company to recover annually \$400,000 through base rates to be collected for deposit in the Storm Reserve fund.

Second, the Settlement Agreement created the SRAF charge, to allow UES to recover the costs of infrequent storms that are extraordinary in magnitude. The Settlement Agreement set the SRAF at \$0.00096 per kWh to allow recovery of the costs associated with the December 2008 ice storm and the March 2010 wind storm. The Settlement Agreement specifically allowed UES to petition the Commission to change the SRAF should any significant under- or over-recoveries occur or are expected to occur.

In this filing, UES seeks approval to use the SRAF to recover the estimated costs associated with the August 2011 tropical storm, and the October 2011 snow storm. At the time of the filing, UES estimated the costs to total \$5.6 million for both storms. UES said that if the estimated \$5.6 million were added to the Storm Fund balance, it would take 14 years to bring the Storm Fund balance to zero. Based on the estimate, the SRAF factor attributable to the 2011 storms would be \$0.00174 per kWh. The resulting total SRAF factor would be \$0.00270 per kWh. The Company said it will update the estimate with actual costs when such costs are known. UES proposes to recover these costs over a three year period with carrying charges calculated at the Company's overall cost of capital because the costs are not recovered concurrently in rates and are thus supported by the Company's long term capital.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-277.html>.

The filing raises, *inter alia*, issues related to whether the costs incurred with August 2011 and October 2011 storms were prudently incurred; whether it is just and reasonable to allow

Unitil Energy Systems, Inc. to recover \$5.6 million related to the 2011 storms from ratepayers; and whether pursuant to RSA 378:7 the resulting rates are just and reasonable. Each party has the right to have an attorney represent the party at the party's own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on March 6, 2012 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Code Admin. Rules Puc 203.15 shall be considered; and it is

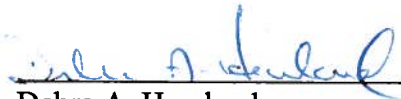
FURTHER ORDERED, that, immediately following the Prehearing Conference, UES, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow UES to provide any amendments or updates to its filing; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, UES shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than February 22, 2012, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before March 6, 2012; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to UES and the Office of the Consumer Advocate on or before March 1, 2012, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Code Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said
Objection on or before March 6, 2012.

Issued by the Public Utilities Commission on this sixteenth day of February, 2012.



Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.