

**STATE OF NEW HAMPSHIRE****Inter-Department Communication****DATE:** September 30, 2013**AT (OFFICE):** NHPUC**FROM:**Grant W. Siwinski  
Utility Analyst III**SUBJECT:**DE 13-079, Unitil Energy Systems, Inc.  
Re: Petition for Approval of Default Service Solicitation And  
Proposed Default Service Tariff**TO:** Debra A. Howland, Executive Director**Background**

On April 5, 2013, UES filed a petition requesting approval of its solicitation and procurement of default service power supply for its residential and small commercial (Non-G1) customers and its large commercial and industrial (G1) customers for the default service period beginning June 1, 2013. Also in the April 5<sup>th</sup> filing, pursuant to the Settlement Agreement approved by the Commission in Docket DE 05-064, UES included its 2012 supply-related working capital costs, based on actual supply costs and an agreed upon lead/lag study or its equivalent, to be recovered through Default Service (DS) rates on a fully reconciling basis. This 2012 Lead Lag Study incorporated changes agreed to by UES and the Commission Staff reflected in the settlement letter dated July 16, 2009 filed in Docket No. DE 09-009, and approved by the Commission in Order No. 25,011, issued September 4, 2009. However, based on the limited timeframe to review the study and DS rates in the April 5<sup>th</sup> filing, Staff recommended conditional approval of the 2012 Lead Lag Study subject to further comment at a future UES default service hearing.

**Analysis**

Staff has completed its review of the 2012 study and found that the study results followed the same methodology as in UES's 2011 study filed in DE 12-003. In its review, Staff also verified that UES followed the approaches recommended by Staff and approved by the Commission in DE 09-009. Those approaches were: 1) to remove the mailing time from the meter reading-to-billing calculation, and instead calculate meter reading-to-recording of accounts receivable; 2) to reflect actual procurement experience for test year Renewable Energy Certificates (RECs), and use July 1 of the following year as the due date for any test year RECs that had not been procured; 3) to reflect actual test year payment experience related to default service contracts in effect for the test year; and, 4) to include the due date in its expense lead calculations for RECs instead of assuming that the REC bills are paid at the beginning of the month.

**Recommendation**

Staff recommends approval of UES's 2012 Lead Lag Study and the allowance of the results to be included in rates on a fully reconcilable basis in the next default service filing in DE 13-079 in October 2013.

If you have any questions, please contact me.