

STATE OF NEW HAMPSHIRE**Inter-Department Communication****DATE:** October 25, 2013**AT (OFFICE):** NHPUC**FROM:** Al-Azad Iqbal
Utility Analyst III

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SUBJECT: Unitil Energy Systems, Inc.
Docket No. DE 13-262
Renewable Source Option -Annual Review and proposal to
discontinue the program**TO:** Debra A. Howland
Executive Director**Background:**

On September 18, 2013, Unitil Energy Systems, Inc. ("UES" or the "Company") filed annual review of its Renewable Source Option for the period September 2012 through August 2013 pursuant to the partial settlement agreement approved in Order 25,102 (DE 09-224). The partial settlement required that after the program had been in place for twelve months, UES would provide details of program participation and costs associated with the program. On January 6, 2012, the Commission Staff held a technical session with the Office of Consumer Advocate ("OCA") and representatives from the New Hampshire electric utilities. Participating parties of the technical session agreed that the renewable source options should continue to be promoted to provide additional experience to adequately evaluate the success of the programs and to provide a report regarding the additional years of operation. UES stated that as of the end of the year of operation, 23 residential customers and 1 commercial customer were participating in the RSO program which is 0.04% and 0.01% of eligible customers, respectively. The company also stated that the RSO program provided for incremental purchases of approximately 0.3% of UES's RPS obligations for Class I and Class II RECs. Based on the experience of the RSO program, UES concluded that customers do not appear to value the opportunity provided by the program to support renewable generation at levels higher than already required under the RPS legislation and, therefore, UES has proposed to close the Renewable Source Option program effective November 30, 2013.

Staff Comments and Recommendation:

Staff has reviewed the proposal and agrees with the company's conclusion. This is not a unique situation for UES. The Commission recently approved (Order 25,511, DE 12-358) an option to close PSNH's renewable program. Although Staff is supportive of closing the program as requested, Staff is concerned about the process of the closing which was not elaborated in the company's request. Staff is particularly concerned about giving the current customers adequate notice and time to explore alternative options.

Staff recommends that the Commission approve closing the Renewable Source Option and require that the company file a detailed plan of closing for Commission approval to minimize any potential customer confusion. Staff also recommends that the company maintain a web page with alternative Renewable Source Options (i.e. market based renewable options) to help the customers to explore any such available options.