

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-096

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing

Order Approving Rate Adjustments

ORDER NO. 26,160

July 20, 2018

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 Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission approves Unitil's stranded cost charge and external delivery charge reconciliation, with rates effective on and after August 1, 2018. Under the new rates, average monthly bills for typical residential customers using 650 kilowatt hours per month will decrease from \$113.26 to \$111.36, or 1.7 percent.

I. PROCEDURAL HISTORY

On June 15, 2018, Unitil Energy Systems, Inc. (Unitil), filed its annual reconciliation of adjustable rate mechanisms, included in its stranded cost charge (SCC) and external delivery charge (EDC), and a proposed tariff. In *Concord Electric Company*, Order No. 24,072 (October 25, 2002), the Commission approved the tariffs governing the adjustable rate mechanisms. Unitil proposed the new tariff rates effective for services rendered on and after August 1, 2018.

The Commission suspended the tariff and scheduled a hearing for July 11, 2018. *See* Order No. 26,151 (June 26, 2018). On July 10, 2018, the Office of the Consumer Advocate (OCA) filed a letter notifying the Commission that it will be participating in this proceeding.

A hearing was held on July 11, 2018.

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/2018/18-096.html>.

II. POSITIONS

A. Unitil

Stranded Cost Charge

The SCC recovers stranded costs from contract release payments that Unitil agreed to pay Unitil Power Corp. (UPC) pursuant to the Amended Unitil System Agreement, approved in Order No. 24,072. The contract release payment amount is made up of the portfolio sales charge, the residual contract obligations, the 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.

The Hydro-Quebec Agreements require UPC to support the 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 sales of UPC's HQ entitlements.

The net result of the HQ obligations and current year true-up on SCC rates for August 2018 through July 2019 is an estimated credit to customers of \$1,209,450. The credit is included in the calculation of rates. Unitil testified that the SCC uniform rate is decreasing by 0.044 cents per kilowatt hour (kWh) from the current uniform rate credit of 0.057 cents per kWh, resulting in a credit of 0.101 cents per kWh.

Unitil stated that rates are calculated using the 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 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 0.021 cents per kWh and a demand-based credit of 21 cents per kilowatt. For G1 customers, Unitil calculated an energy-based credit of 0.025 cents per kWh and a demand-based credit of 25 cents per kilovolt-amp. All other customers will receive the uniform rate credit of 0.101 cents per kWh.

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 as required by Order No. 25,664 (May 9, 2014);
- (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, pursuant to RSA 368:28,

III.

In addition, the EDC includes several offsetting factors: the over- or under-collection from Unitil's reliability enhancement program; a January through April 2018 regulatory liability credit of \$769,342 resulting from federal income tax reductions; and estimated reconciliation

balances of \$51,479.49 and \$14,276.41 related to repair costs associated with Hurricane Sandy and Hurricane Irene, respectively.

The EDC is calculated by combining the prior period over- or under-recovery as of July 31, 2018, with the estimated EDC costs and associated interest for the following twelve-month period beginning August 2018. The result is an EDC of 2.389 cents per kWh, applicable to all rate classes, effective August 1, 2018. According to Unitil, the total EDC has decreased by 0.248 cents per kWh. This is due primarily to two factors: lower forecasted transmission costs for the twelve-month period beginning August 2018, resulting from a lower federal income tax rate, compared to the forecasted August 2017 through July 2018 period costs; and the expiration of rate case expense amortization.¹

Unitil testified that the change in SCC and EDC rates results in a monthly decrease of approximately 1.7 percent for residential customers. The G2 and G1 customer average monthly bills will decrease about 1.9 and 2.4 percent, respectively. Outdoor lighting average monthly bills will decrease about 0.9 percent.

B. OCA

The OCA supported the petition, stating that the rates proposed by Unitil are just and reasonable.

C. Staff

Staff recommended approval of the petition, stating that reconciliation and the resulting rates are just and reasonable.

III. COMMISSION ANALYSIS

Based on Unitil's filing and the evidence presented at hearing, we find that Unitil has appropriately calculated the changes to the SCC and EDC adjustable rate mechanisms, consistent

¹ See *Unitil Energy Systems, Inc.*, Order No. 26,007 (April 20, 2017) (Unitil's most recent distribution rate case).

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 approve the rate changes for effect with services rendered on and after August 1, 2018.

Based upon the foregoing, it is hereby

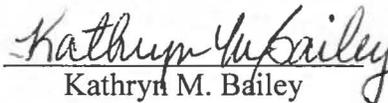
ORDERED, that the request by Unitil Energy Systems, Inc., for adjustments to its stranded cost charge and external delivery charge rates for effect on a service-rendered basis on August 1, 2018, is hereby APPROVED; and it is

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 twentieth day of July, 2018.



Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director