

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-098

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing for Stranded Costs and External Delivery Charge

Order Approving Rate Adjustments

ORDER NO. 26,388

July 31, 2020

APPEARANCES; Gary Epler, Esq., on behalf of Unitil Energy Systems; and F. Anne Ross, Esq., on behalf of Commission Staff.

This order approves Unitil's stranded cost charge and external delivery charge reconciliation, with rates effective on and after August 1, 2020. Under the new rates, average monthly bills for residential customers on default service using 650 kilowatt hours per month will increase approximately 6.7 percent. Monthly bills for Large General Service, General Service, and Outdoor Lighting customers will increase approximately 10.9 percent, 7.7 percent, and 3.4 percent, respectively.

I. PROCEDURAL HISTORY

On June 17, 2020, Unitil Energy Systems, Inc. (Unitil or the Company), filed its annual reconciliation of adjustable rate mechanisms, along with supporting testimony, exhibits, and a proposed tariff. The adjustable rate mechanisms are included in Unitil's stranded cost charge (SCC) and external delivery charge (EDC). The Commission suspended the tariff and scheduled a hearing. *See* Order No. 26,378 (July 2, 2020). A hearing was held as scheduled on July 20.

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/2020/20-098.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

In its petition, Unitil proposed the tariff changes for effect with services rendered on and after August 1, 2020. The proposed changes result in an overall average bill increase for a residential customer on default service using 650 kilowatt hours (kWh) per month of about 6.7 percent. Monthly bills for Large General Service (G1), General Service (G2), and Outdoor Lighting (OL) customers will increase approximately 10.9 percent, 7.7 percent, and 3.4 percent, respectively.

1. Stranded Cost Charge

The Company's stranded cost charge (SCC) recovers contract release payments that Unitil pays to Unitil Power Corp. (UPC), in accordance with the Amended Unitil System Agreement, which was approved in *Concord Electric Company*, Order No. 24,072 (October 25, 2002). The contract release payment amount is made up of a portfolio sale charge, residual contract obligations, Hydro Quebec (HC) interconnection facility support payments, and true-ups from prior periods. UPC is required to support HQ interconnection facilities through October 2020. The HQ support payments include all costs incurred by UPC, offset by any revenues received for the sale of UPC's HQ entitlements.

The net result of the HQ obligations and current-year true up on SCC rates for August 2020 through July 2021 is an estimated credit to customers of \$270,103. The decrease is due to the change in the prior period reconciliation balance. The August 1, 2020, over-collected

balance is the result of contract-release payment credits coming in above forecast for the August 2019 through July 2020 period.

The SCC obligation is calculated by developing a uniform per kWh charge, applied equally to all customer classes. From this uniform charge, energy and demand based rates are designed for customers in the G1 and G2 classes. According to the filing, the SCC uniform rate is a credit of \$0.00025 per kWh. This is a decrease of \$0.00013 per kWh from the prior rate. Regular general service G2 class rates are a credit of \$0.00005 per kWh, with a demand charge credit of \$0.05 per kW. Large general service G1 class rates are a credit of \$0.00006 per kWh with a demand charge credit of \$0.06 per kVA.

2. External Delivery Charge

The EDC primarily recovers costs associated with transmission services including: (1) third-party transmission provider costs (Eversource Energy Network Integration Transmission Service and Eversource Energy Wholesale Distribution); (2) regional transmission and operating costs; (3) transmission-based fees and assessments; and (4) various administrative, consulting, and legal costs. Unitil also includes in its EDC rate other costs and credits including the rebate of excess Regional Greenhouse Gas Initiative (RGGI) auction proceeds, over- or under-collection associated with the reliability enhancement and vegetation management programs, and the recovery of displaced distribution revenue associated with net metering for 2019.

Unitil testified that item (1) is primarily based on local network service (LNS) charges and was collected from Unitil by Eversource based on a revenue requirement developed by Eversource and approved by the Federal Energy Regulatory Commission (FERC). Item (2) is primarily based on regional network service (RNS) charges. Unitil testified that the FERC-

approved RNS rate increased from \$111.94 per kW-yr to \$129.26 per kW-yr in June of 2020. In addition, the EDC includes the over- or under-collection from Unitil's Reliability Enhancement Program (REP), Vegetation Management Program (VMP), which was an under collection of \$337,289, and Storm Resiliency Program (SRP), which was approved in Order No. 26,323 (December 31, 2019).

Unitil calculated a transmission-only factor charge of 3.632 cents per kWh, and a non-transmission factor of negative 0.019 cents per kWh. The proposed total EDC rate of 3.613 cents per kWh represents an increase of 1.111 cents per kWh as compared with August 2019 through July 2020.

At hearing, in response to a series of questions from the Commission, Unitil suggested that the reconciliation and rate-setting docket include review of the SRP and the VMP/REP. Unitil said combining review of those programs with the reconciliation and rate-setting docket may provide a more efficient process to explore questions of cost effectiveness and cost recovery.

B. Staff

Staff reviewed the filing, conducted some informal discovery, and confirmed that the resulting rates were calculated properly. At hearing, Staff recommended approval of the SCC and EDC rates as proposed. Staff supported Unitil's suggestion that the two dockets be combined next year.

III. COMMISSION ANALYSIS

We find that Unitil has appropriately calculated changes to the SCC and EDC adjustable rate mechanisms, consistent with Order No. 24,072 (October 25, 2002). The increase in the EDC rate is primarily due to a pass through of increased transmission rates approved by FERC. We

are satisfied 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 as proposed by Unitil for effect with services rendered on and after August 1, 2020.

At hearing, Unitil testified that its energy efficiency programs reduced peak demand by 1.185 MW in 2019. Unitil forecasts a reduction of 2.11 MW in 2020 through an interruptible load and demand reduction initiative. We note that the allocation of capacity and transmission costs to New Hampshire electric utilities is a function of peak load and we urge Unitil to continue to develop initiatives geared at mitigating and reducing customer demand during times of peak use. We direct Unitil to report on such efforts in its next annual filing.

We also direct Unitil to file the SRP and VMP/REP annual filings in the docket pertaining to the August 1 rate adjustment for EDC and SCC. Including review of the SRP and VMP/REP in the reconciliation docket will provide a more comprehensive and transparent reconciliation filing. We also instruct the Company to submit its SRP and VMP/REP reports by November 15 to allow sufficient time for Staff and others to review Unitil's proposed projects prior to the start of the next calendar year. We appreciate the Company offering this solution for a more efficient hearing process.

Based upon the foregoing, it is hereby

ORDERED, that the request by Unitil Energy Systems, Inc., for adjustment to the stranded cost charge and external delivery charge rates, for effect on a service-rendered basis on August 1, 2020, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc. shall submit to Commission Staff the proposed budgets for the Storm Resiliency Program, the Vegetation Management

Program as well as the Reliability Enhancement Program, including bid costs, by November 15 each year; and it is

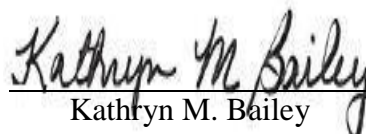
FURTHER ORDERED, that Unitil Energy Systems, Inc. shall file by April 1, the reconciliation for the prior year's actual costs related to the Storm Resiliency Program, the Vegetation Management Program and the Reliability Enhancement Program, as well as the External Delivery Charge and Stranded Costs Charge rate adjustments for effect August 1; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc., shall file revised tariff pages conforming to this order within 20 days hereof, pursuant of N.H. Admin. R., Part Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2020.



Dianne Martin
Chairman

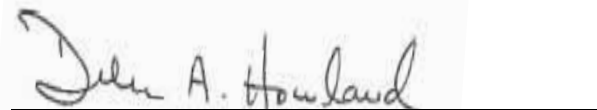


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket# : 20-098

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