

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE 16-384

UNITIL ENERGY SYSTEMS, INC.

PETITION OF UNITIL ENERGY SYSTEMS, INC.

NOW COMES Unitil Energy Systems, Inc. (“Unitil Energy” or “the Company”) and, pursuant to NH RSAs 378:7, 378:27, 378:28 and 378:29, respectfully petitions the New Hampshire Public Utilities Commission (“the Commission”) for authority to: (1) implement new permanent rates beginning June 1, 2016, for electric service at the levels set forth in its proposed revised tariff filed with this Petition; (2) replace certain pages of Unitil Energy’s current tariff, NHPUC No. 3, with proposed revised tariff pages; (3) implement a 5-year Rate Plan with step adjustments for certain future rate base additions and programs to enhance reliability and manage vegetation; and (4) if the Commission suspends the effective date of Unitil Energy’s permanent rates, implement temporary rates beginning July 1, 2016 for electric service at rate levels set forth in Supplement No. 2 to NHPUC No. 3. In support of this Petition, Unitil Energy states as follows:

A. **RATE INCREASE AND REVISED TARIFF**

1. On March 30, 2016, pursuant to NH RSA 378:3 and New Hampshire Code of Administrative Rules, Puc 1604.05, Unitil Energy filed a Notice of Intent to File Rate Schedules with the Commission.

2. Unitil Energy is filing with this Petition revisions to its Tariff NHPUC No. 3 (“the Permanent Rates Tariff”). This Tariff has a proposed effective date of June 1, 2016 and is intended to produce a permanent increase in annual revenues of \$6.26 million, which represents an increase of 3.6 percent in total revenues above present rates. This permanent rate increase results in an overall rate of return of 8.75 percent which is in line with the Company’s last allowed rate of return of 8.39 percent.

3. Pursuant to NH RSA 378:8 and N.H. Admin. Rule Puc 1600 *et seq.*, Unitil Energy has filed direct testimony and exhibits in support of the Permanent Rates Tariff and such supplementary information required by the Commission, all of which is incorporated herein by reference.

B. RATE PLAN WITH STEP ADJUSTMENTS

4. Unitil Energy requests permission to implement a 5-year Rate Plan with annual step adjustments in order to provide Unitil Energy a reasonable opportunity to earn its authorized rate of return after the permanent rates in this proceeding are approved and the Company completes certain large non-revenue producing capital projects and implements plans to enhance service reliability and manage vegetation. These projects are necessary in order to maintain Unitil Energy’s ability to provide safe and reliable electric service to its customers. Under the proposed Rate Plan, it is anticipated that an initial step adjustment will be implemented on the effective date of permanent rates. Thereafter, a second large capital project step adjustment will be implemented on or about May 1, 2018, and the Company will continue its Rate Plan step adjustments associated with its plan on May 1, 2019, 2020 and 2021. The Commission has previously authorized Unitil Energy to implement a similar series of step

adjustments. *See Re Unitil Energy Systems, Inc.*, DE 10- 055, Order No. 25, 214 (April 26, 2011). In support of this request for a long-term Rate Plan, Unitil Energy has filed the direct testimony of Mark Collin, and David Chong.

C. TEMPORARY RATES

5. Pursuant to NH RSA 378:6, the Commission may suspend the effective date of Unitil Energy's permanent rates Tariff pending an investigation by the Commission under NH RSA 378:5 into the reasonableness of the Permanent Rates Tariff. If the Commission suspends Unitil Energy's permanent rates Tariff, Unitil Energy requests that temporary rates be established in accordance with NH RSA 378:27, which provides that the Commission may, after reasonable notice and hearing, if the public interest so requires, prescribe reasonable temporary rates for the duration of a rate proceeding, sufficient to yield not less than a reasonable return on the cost of the utility's property used and useful in service to the public, less accrued depreciation.

6. Unitil Energy requests that if such temporary rates are set, they be established at the levels set forth in Supplement No. 2 to NHPUC No. 3, commencing with service rendered on July 1, 2016 and until the date a final, non-appealable order establishing permanent rates is issued. This represents an increase of \$3.01 million in annual revenues, or 1.6 percent above present revenues. As shown in Attachment 1, Unitil Energy proposes to recover this increase on a uniform per kWh basis from all rate classes. In support of this request, Unitil Energy notes that during the twelve months ended December 31, 2015 (i.e., the test year underlying the Permanent Rates Tariff), Unitil Energy earned a return on equity of approximately 8.4 percent. This amount is

substantially lower than UES' authorized return on equity of 9.67 percent, and indicates that Unitil Energy's current rates are causing earnings attrition.

7. Unitil Energy is seeking a temporary rate increase in lieu of establishing temporary rates at current levels in order to expeditiously address the above-described earnings attrition. In addition, because the Company's under-earning situation is expected to be exacerbated by increased expenditures over the next several months, Unitil Energy is in immediate need of the level of temporary rate relief indicated above. Furthermore, granting a temporary rate increase will provide for a smoother transition from current to permanent rates and will lessen the size of the difference between temporary and permanent rates to be collected from customers at the conclusion of the permanent rate case.

WHEREFORE, Unitil Energy respectfully requests that the Commission:

A. Expeditiously issue an order of notice which schedules a hearing upon the within Petition;

B. Following an investigation pursuant to RSA 378:5 of the reasonableness of the proposed rates and revised tariffs filed with this Petition, enter an order authorizing Unitil Energy to implement such proposed rates and tariffs as permanent effective for service rendered on and after June 1, 2016;

C. If the Commission suspends Unitil Energy's permanent rates Tariff, establish temporary rates in accordance with NH RSA 378:27, and, following a hearing, enter an order authorizing temporary rates at the levels set forth in Supplement No. 2 to NHPUC No. 3 for service rendered on and after July 1, 2016, until the date a final, non-appealable order establishing permanent rates is issued;

D. Pursuant to RSA 378:29, in the event that permanent rates, once determined by the Commission, exceed temporary rates, enter an order authorizing Unitil Energy to collect the difference from customers;

E. Enter an order authorizing Unitil Energy to implement the Step Adjustments as proposed herein; and

F. Grant such further relief as may be just and appropriate.

Respectfully submitted,

UNITIL ENERGY SYSTEMS, INC.

By its Attorneys:



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Chief Regulatory Counsel

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Senior Counsel

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Dated: April 29, 2016

Certificate of Service

I hereby certify that on this 29th day of April, 2016, a copy of the foregoing Petition was hand delivered to the Office of Consumer Advocate.



Gary Epler