

NHPUC 18MAY'17AM10:27

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE: May 18, 2017**  
**AT (OFFICE): NHPUC**



**FROM:** Rich Chagnon, Utility Analyst – Electric Division

**SUBJECT:** Docket No. DE 17-032

Unitil Energy Systems, Inc. Annual Major Storm Cost Reserve Fund Report

Staff Review

**TO:** Debra A. Howland, Executive Director  
Tom Frantz, Director – Electric Division

### Summary

On February 27, 2017, Unitil Energy Systems, Inc. (UES or Company) made a filing of the "UES Annual Major Storm Cost Reserve Fund Report" for the 12 month period ending December 31, 2016.<sup>1</sup> There is no rate change related to this filing.

As detailed in the Report, the Major Storm Cost Reserve (MSCR) Fund balance on December 31, 2016 is (\$2,759,544). The Company did not propose an adjustment to the level of annual MSCR recovery at this time, but will continue to review the recovery level on a going forward basis as it continues to incur costs for future storm events. The current annual MSCR recovery is set at \$800,000<sup>2</sup>.

<sup>1</sup> This filing complies with the New Hampshire Public Utilities Commission (Commission) requirements set forth in the Company's Rate Plan Settlement in Docket No. DE 10-055 and as ordered in Docket No. DE 11-277, Order No. 25,351, Order Granting Increase to Storm Recovery Adjustment Factor (SRAF), issued April 24, 2012 (requiring UES "to file annual reports on the Storm Reserve Fund and storm recovery updates for those storms where costs are recovered through the SRAF").

<sup>2</sup> Set forth in Docket No. DE 13-065 Order No. 25,502 issued April 29, 2013.

Staff has reviewed and investigated the filing received on February 27, 2017 and confirms compliance with Commission Order No. 25,351 and Order No. 25,502. Staff recommends that the Commission approve this report and UES's petition to recover costs from the July 18, 2016 microburst through the MSCR as requested.

## **Background**

On February 27, 2017, UES made a filing that complies with the New Hampshire Public Utilities Commission (Commission) requirements compelling UES to file an annual Major Storm Cost Reserve Fund Report (2016 Report) on the MSCR Fund and on storms where costs are recovered through the Storm Recovery Adjustment Factor (SRAF). Both mechanisms were created to recover approved costs related to major storm damage to the Company's electrical distribution system.

The MSRC was created to recover approved costs associated with qualifying major storms that meet certain quantitative criteria. The MSCR mechanism also allows recovery for approved costs associated with UES preparing for and responding to major storms that do not materialize but were forecasted<sup>3</sup> by the Company's weather forecast provider to have a high probability of causing a wide-scale emergency event.

The SRAF mechanism was created to recover the costs of infrequent storms of extraordinary magnitude.

The Office of the Consumer Advocate did not file a letter of participation in this docket.

## **Staff Review**

In the 2016 Major Storm Cost Reserve Fund Report, UES reported Adjustments of \$697,464. This amount is the total of \$572,965 for five of the six storms which occurred in 2016 and \$124,499 carrying charges of the MSCR Fund. The Report explains that the sixth storm in 2016 for UES was a Nor'easter Event on December 29. The Company's preliminary estimated cost for this storm was at \$200,000. The actual costs were not available at the time the Report filing was prepared. This event will be included in the 2017 MSCR Report. The balance of the MSCR Fund as of December 31, 2016 is a deficit of \$2,759,544.

The 2016 Report details the costs of four storm events which meet the Commission's criteria for recovery and one storm event which does not meet the Commission's criteria for recovery. Costs for the four storm events which do meet the Commission's criteria include preplanning and pre-staging line crews for storms which did not materialize as a qualifying major storm<sup>4</sup> but did meet the forecasting criteria for responsive preplanning efforts. The reported cost for these four storm events is \$400,610.

---

<sup>3</sup> One or more weather forecasts from the Company's professional weather forecaster which indicates an Estimate Impact Indices (EII) level of 3 or greater, and with a "high" (greater than 60 percent) level of confidence for one or more of the Company's franchise areas.

<sup>4</sup> DE 10-055 Unitil Distribution Rate Case Settlement Agreement dated February 23, 2011, Section 8. Qualifying major storms shall include severe weather events causing 16 concurrent troubles (interruption events occurring on

The fifth storm event in the 2016 Report does not meet the Commission's criteria for recovery. It's the confirmed microburst that occurred on July 18th. By noon on July 18th, severe thunderstorm watches were in place for 2pm to 9pm throughout the UES region with large hail and predicted wind gusts of up to 55 MPH. At approximately 3:18pm a large burst of wind in the 80-90 MPH range developed in the area of Plaistow. The storm which was characterized as a microburst was over by 3:20pm and resulted in many downed trees and power lines. Travel in many areas of Plaistow was impossible as crews needed to clear roads blocked of debris. Based on actual damage and the necessary response, the Company identified this to be an exogenous event and included a petition to the Commission to recover the costs of this microburst through the MSCR. The Company included support for this request within the MSCR Report, including the National Oceanic and Atmospheric Administration's forecast, UES's weather service provider's forecast and confirmation of the microburst. Cost for this storm is \$172,355, which does not include \$71,524 in capital plant replacement costs.

Staff concludes that the MSRC costs submitted in the 2016 Report are reasonable, including the costs for the restoration from the microburst on July 18th. Staff agrees that the language negotiated in the DE 10-055 Settlement Agreement Section 8.2 applies to the magnitude of the restoration effort as a result of this microburst.

*DE 10-055 Settlement Agreement Section 8.2. The parties recognize that certain weather events may result in extraordinary expenditures to prepare for, or recover from, storms or natural disasters that do not meet the defined criteria for a qualifying major storm. The Company may petition the Commission to recover the extraordinary costs of such events from the Major Storm Cost Reserve and has the burden to demonstrate the reasonableness of its expenditures.*

Staff brought to UES's attention that the "forecast criteria" for revenue recovery of pre-staging costs for a potential qualifying major storm is currently not at the level of other electric utilities in New Hampshire. UES has agreed to review its EII criteria to determine if changes are in order to bring its weather forecast parameters closer to the other New Hampshire electric utilities, especially considering the amount of work UES has accomplished through its REP efforts.

Staff notes that there were no significant and irregular events of extraordinary magnitude during 2016 which were included for recovery by the SRAF. As detailed in the report, beginning May 1, 2017, the SRAF will decrease by \$0.00082 per kWh due to the termination of the recovery of the costs of two extraordinary storms: Tropical Storm Irene, which occurred in August 2011, and the Snow Storm, which occurred in October 2011. In accordance with its tariff, Schedule SRAF, the costs associated with these two extraordinary storms were recovered at a rate of \$0.00082 per kWh over 5 years ending

---

either primary or secondary lines) and 15 percent of customers interrupted, or 22 concurrent troubles, in either the Capital or Seacoast regions of Unitil, as well as costs associated with planning and preparation activities in advance of severe weather if a qualifying major storm is likely occur.

April 30, 2017. UES will file the final disposition of the balance for these two storms by June 30, 2017.

**Summary**

Staff has reviewed and investigated the filing received on February 27, 2017 and confirms compliance with Commission Order No. 25,351 and Order No. 25,502. Staff recommends that the Commission approve this report and UES's petition to recover costs from the July 18, 2016 microburst through the MSCR as requested.

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

---

---

**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

Executive.Director@puc.nh.gov

amanda.noonan@puc.nh.gov

epler@unitil.com

leszek.stachow@puc.nh.gov

ocalitigation@oca.nh.gov

richard.chagnon@puc.nh.gov

suzanne.amidon@puc.nh.gov

tom.frantz@puc.nh.gov

Docket #: 17-032-1      Printed: May 18, 2017

**FILING INSTRUCTIONS:**

**a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

**b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**

**c) Serve a written copy on each person on the service list not able to receive electronic mail.**