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April 15, 2022

Daniel C. Goldner, Chair
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DE 21-033 Unital Energy Systems, Inc. Annual Major Storm Cost Reserve Fund Report
2020, *Department of Energy (DOE) Analysis*

Dear Chair Goldner:

The Department of Energy (DOE) has reviewed Unital Energy System Inc. ("UES" or "the Company")'s annual *Major Storm Cost Reserve Fund Report 2020*. ("Report"). The Report includes the Major Storm Cost Reserve (MSCR) fund and the Storm Recovery Adjustment Factor (SRAF) fund.

As described herein, in the opinion of the DOE, the Report is accurate as revised and filed on September 30, 2021. If the Commission agrees and approves the Report, as revised, in the opinion of the DOE no further process is necessary, and the docket may be closed.

Procedural Background

On March 3, 2021, UES filed its annual Report for calendar year 2020 in this docket.¹ The Company explained that this filing is made pursuant to the Company's Rate Plan Settlement in Docket No. DE 10-055, as approved by Commission in Order 25,214 (April 26, 2011) and in Order 25,351 (April 24, 2012) (Dkt. No. DE 11-277) (Order requiring UES to file annual reports on the storm reserve fund and storm recovery updates). Report at 2. Subsequently, on September 30, 2021, UES filed a corrected version of the Report ("Revised Report") adjusting for certain costs which were removed. On November 24, 2021, the Commission gave the DOE until December 28, 2021, to object to or request additional time to investigate Unital's filing. On December 23, 2021, the DOE filed a motion to enlarge time, anticipating that a DOE analysis would be completed on or before April 30, 2022, and a final report filed thereafter. On December 29, 2021, the Commission granted the DOE's motion, and directed the DOE and any interested parties to file responses to Unital's 2020 filing by June 1, 2022.

¹ References to the reserved amounts shall be to the "Major Storm Cost Reserve," (MSCR), consistent with UES's filing and DOE's Audit Division's Final Report. For clarity, the DOE notes that the Commission has referenced the actual report as the "MSCRF Report." See Commission's Procedural Order (November 24, 2021) (Emphasis added). It appears that the references to "MSCR" and "MSCRF" are essentially interchangeable.

History of the MSCR and SRAF

The Major Storm Cost Reserve (MSCR) is intended to provide for recovery of advance preparation and/or recovery costs of qualifying major storms. The Commission-approved MSCR annual amount of \$800,000 is included in base distribution rates. In contrast to the MSCR, the SRAF is intended to recover costs associated with infrequent storms of extraordinary magnitude on an individual basis. Individual storms that qualify for amortized recovery via the SRAF are the subject of specific review and then, if approved by the Commission, storm specific amortization amount, period, and rates. *See, e.g.*, Order No. 26,123 (April 30, 2018), and Order No. 26,236 (April 22, 2019) in Dockets No. DE 18-036, and DE 19-043, respectively (approving amortizations of costs related to specific storms of extraordinary magnitude).

DOE's Analysis and Recommendation

The DOE's analyst: reviewed each section of the Revised Report; reviewed the Final Audit Report prepared by DOE's Enforcement Division; held a meeting with the Enforcement Division audit team to discuss both the Revised Report and the Final Audit Report; confirmed additional details with the audit team related to determination of major storm status for each storm whose costs are included in the MSCR; confirmed the storm amortization rates comprising the SRAF rate on the Company's Tariff Page 69, and met jointly with Company Staff, Company counsel, and the undersigned.

The Revised Report states that "[t]he recovery rate for the SRAF in 2020 was \$0.00084 per kWh." Revised Report at 2. The DOE analyst confirmed that this is the appropriate rate for 2020 as two approved storm amortization rates were in effect. The first rate was \$0.00037 per kWh approved in Order No. 26,123 at 5 (April 30, 2018) for the three-year period of May 1, 2018 through April 30, 2021. The second rate contributing to the total was \$0.00047 per kWh approved in Order No. 26,236 at 4 (April 22, 2019) for a three-year period from May 1, 2019 through April 30, 2022.

The Final Audit Report identified one issue related to the SRAF. As described above, it is permissible for the SRAF rate to be comprised of several amortizations which were individually authorized by separate Commission orders. At the point in time when Audit reviewed the Company's books and records related to these storm amortizations, the amortization periods related to several storms had been completed, and there was an over-recovery ending balance related to those specific storms in the amount of (\$191,357), i.e., a credit to ratepayers. However, there were also ongoing recoveries related to other storm amortizations, so the total SRAF was not in an over-collected position. DOE Audit recommended that the Company should work with the DOE Regulatory Division regarding the treatment of the over-collected balances in the SRAF. The Company stated that when the remaining storm amortizations were complete, it would make a recommendation for treatment of the overall final disposition regarding the total outcome of the SRAF amortizations. The Company estimated that the net over-collection will be approximately (\$74,900). DOE Regulatory Staff finds Audit's recommendation, accepted by the Company, to be an acceptable approach. The DOE will review the Company's proposal when provided.

The Final Audit Report did not otherwise identify any issues which impacted the balances of the MSCR or of the SRAF included in the Company's Revised Report.

Based on this review, it is the DOE's opinion that the MSCR ending deficit balance as of December 31, 2020, is accurately reported on page 3 of the Revised Report as (\$3,244,348), a negative number. Similarly, it is the DOE's opinion that the SRAF ending balance as of December 31, 2020, is accurately reported on page 4 of the Revised Report as \$822,860, a positive number. Note that while one of these balances is reported as a negative number and the other as a positive number, each number represents amounts owed to the Company by ratepayers. That the numbers are shown this way in the Revised Report is a characteristic of the Company's reporting methodology.

In conclusion, as stated above, the DOE recommends that the Commission approve the Revised Report as accurate as filed. If the Revised Report is approved, in the opinion of the DOE no further process is necessary, and the docket may be closed.

Respectfully Submitted,

/s/ *Mary E. Schwarzer*

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