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**DEPARTMENT OF ENERGY**  
21 S. Fruit St., Suite 10  
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March 27, 2024

Daniel C. Goldner, Chairman  
Public Utilities Commission  
21 S. Fruit Street  
Concord, NH 03301-2429

Re: DE 24-033 Unital Energy Systems, Inc. Petition to Increase Storm Recovery Adjustment Factor, *DOE Objection to UES' Proposed May 1 Effective Date*

Dear Chairman Goldner:

On February 28, 2024 Unital Energy Systems, Inc (“UES” or “the Company”) filed a *Petition to Increase Storm Recovery Adjustment Factor (SRAF)*. The Company’s petition included submission of UES’ 2023 Major Storm Cost Reserve Fund Report (MSCR) Report. This report is generally filed at the end of February or the beginning of March, and does not, itself, result in a change in rates. Given that UES wants to increase its SRAF, however, this storm docket requires both discovery and a hearing. *See* Commencement of Adjudicative Proceeding, Notice of Prehearing Conference, Notice of Hearing, and Suspension of Tariff (March 21, 2024); RSA 378:5, :7. UES also seeks compressed review such that the Company’s request to increase the SRAF will be effective May 1, 2024. *See* UES Petition (February 28, 2024) at 1.

The New Hampshire Department of Energy (DOE or the Department) has been in communication with UES since March 12, 2024. DOE understands that UES requests the change to the SRAF effective May 1, 2024, but DOE notes that UES has combined the standard MSCR Fund Report review docket with the request for an SRAF increase to recover the deficit balance of the MSCR Fund, a deficit which has existed for at least three years. *See* Dkts. No. DE 21-033 (ending MSCR deficit balance of \$3,244,348 for 2020 Storm Season); DE 22-008 (ending MSCR deficit balance of \$3,073,272 for 2021 Storm Season); DE 23-017 (ending MSCR deficit balance of \$2,482,939 for 2022 Storm Season). The DOE needs time to review the MSCR costs and related interest and to consider the proposed transfer of the MSCR balance to the SRAF, including whether the proposed five-year amortization period sought is appropriate.

For the reasons described in more detail below, the Department objects to UES’s request for a May 1 implementation date. Instead, the Department asks the New Hampshire Public Utilities Commission (“Commission”) to direct the parties to file a proposed procedural schedule. The proposed procedural schedule will anticipate the Department’s standard four-to-six-month storm report review process. This will result in the completion of the Regulatory Division’s Technical Statement discussing the merits of the report and addressing UES’ proposed SRAF increase, as well as the consideration of a DOE Final Audit of the Company’s 2023 MSCR Report. The Department anticipates that the Technical Statement could be filed on or before July 15, 2024.

The Department shares the Company's stated wish to address its reported under recovery of approximately \$3.7 million in the MSCR Fund as of the period ending December 31, 2023. *See* Petition (February 28, 2024) at 3; Attachment MSCR Fund Report at 4. However, the under recovery was already sizeable when UES filed its 2022 MSCR Fund Report. At that time, UES's under recovery was in excess of \$2 million. *See id.* Attachment MSCR Fund Report at 4; Dkt. No. DE 23-017, Order No. 26,889 (September 27, 2023) (Approving the 2022 under collected balance in the Company's MSCR fund of approximately \$2.5 million as "correctly calculated and rates and balances are correct.").

The Department is mindful of the Commission's statement in its most recent UES Storm Report Order:

We encourage the company to find additional ways to reduce the deficit in the MSCR fund. Substantial carrying costs do not support additional major storm cost recovery and are not an efficient use of ratepayer funds.

*See* Order No. 26,889 at 4. However, as stated above, the Department's standard review of UES' Storm Reports generally takes between four and six months. Although UES's petition provides that an increase in the SRAF shall be effective "not earlier than forty-five (45) days after the filing of a notice filed with the Commission," *see* UES Tariff No. 3, Second Revised Page 69-A, there is nothing that prohibits additional time beyond the 45-day mark. The purpose of the SRAF is "*to recover the costs of certain storms [not all storms] as approved by the Commission.*" *See* UES Tariff No. 3, Ninth Revised Page 69 and Second Revised Page 69-A.

UES's proposed recovery of the MSCR fund deficit and use of the SRAF to recover the MSCR funds under recovery over a five-year period may be appropriate, however, that cannot be determined on the Company's proposed timeline. The Department is unaware of any requirement that requires an SRAF rate change occur on May 1. Further, in the interest of a comprehensive review, the DOE prefers to plan for a DOE Technical Statement inclusive of a DOE Final Audit of UES' MSCR Report. Here, DOE anticipates that the review would only extend UES's proposed compressed deadline of May 1 by about three months until August 1 for a rate effective date, if approved. This would allow adequate time for the conduct of an audit; for review, including discovery, of the proposal; and for a comprehensive DOE recommendation. It would also prevent the need for additional process to address potential reconciliation after final review and approval by the Commission.

Accordingly, the DOE asks that the Commission direct the parties to prepare a proposed procedural schedule to address process and discovery in this docket, consistent with the standard review period for the Company's MSCR Fund Reports. Consistent with the Commission's current practices, this letter is being filed only in electronic form.

Sincerely,  
s/ *Mary E. Schwarzer*  
Mary E. Schwarzer  
Staff Attorney/Hearings Examiner  
Department of Energy

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