

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 24-033

UNITIL ENERGY SYSTEMS, INC.

Petition to Increase Storm Recovery Adjustment Factor

Order on Petition to Amend Tariff and Adjust SRAF Rates

ORDER NO. 27,013

May 31, 2024

On February 28, 2024, Unitil Energy Systems, Inc. (UES) filed its annual 2023 Major Storm Cost Recovery (MSCR) Fund Report, which represented that, as of December 31, 2023, the MSCR Fund has a deferral balance of \$3,654,362. In the same filing, UES filed a petition to: (1) amend its tariff to allow the company to recover the existing MSCR deferral balance through the Storm Recovery Adjustment Factor (SRAF) over a three-year period;¹ and (2) implement a new SRAF rate of \$0.00114 per kWh effective June 1, 2024 in order to do so.² The Commission held a hearing on this matter on May 16, 2024. The New Hampshire Department of Energy (DOE) was the only other party to file an appearance. The DOE represented that it was unable to complete a final audit of the 2023 MSCR Report fund by June 1, 2024, and recommended that the Commission forego final approval of the 2023 MSCR Fund Report until the DOE completed and filed the audit. However, the DOE recommended that the Commission approve UES's petition to amend its tariff and implement the proposed SRAF rate subject to the results of the audit.

¹ UES initially proposed to recover the deferral balance over a five-year period. However, at the recommendation of the DOE, UES revised its petition to request a three-year recovery period in order to reduce the carrying costs associated with the deferral balance.

² UES initially requested an effective date of May 1, 2024, but agreed with the DOE to extend the effective date by one month.

For the reasons that follow, the Commission **APPROVES** UES's petition to amend its tariff to recover the existing MSCR deferral balance through the SRAF over a three-year period and its request to implement a new SRAF rate of \$0.00114 effective June 1, 2024. However, both the final deferral balance, and resulting SRAF rates, will be subject to adjustment based on the results of the DOE's final audit. Likewise, the Commission will issue a final ruling on the 2023 MSCR Fund Report after receiving the DOE's final audit. All docket filings, other than those subject to confidential treatment, are available on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-033.html>.

I. BACKGROUND

The MSCR Fund is intended to provide for recovery of advance preparation and/or recovery costs of qualifying major storms. *See* Docket No. DE 23-017, Order No. 26,889 (September 27, 2023). The Commission approved an annual amount of \$800,000 to be included in base distribution rates for MSCR. *See* Docket No. DE 13-065, Order No. 25,502 (April 29, 2013). Because the MSCR rates have been set in prior orders, the Commission's review is generally limited to whether the costs and expenses in the MSCR report, and the resulting fund balances, have been correctly calculated according to the standards the Commission has established for recovery of these storm costs. In doing so, the Commission has previously relied on a final audit report and recommendation from the DOE.

UES's annual qualifying storm recovery costs have routinely exceeded \$800,000, and the MSCR fund has therefore consistently been in a deficit. As of December 31, 2022, the MSCR Fund had a deficit of \$2,482,939. *See* Order No. 26,889 at 2. In its order on the 2022 MSCR Fund Report, the Commission "encourage[d] the company to find additional ways to reduce the deficit in the MSCR

fund” because “[s]ubstantial carrying costs do not support additional major storm cost recovery and are not an efficient use of ratepayer funds.” *Id.* at 4.

In contrast to the MSCR, the SRAF is intended to recover costs associated with infrequent storms of extraordinary magnitude on an individual basis. *Id.* at 3.

Individual storms that qualify for amortized recovery via the SRAF are the subject of specific Commission review and then, if approved by the Commission, UES may recover a specific amortization amount, recovery period, and rates. *Id.* The SRAF rate is currently \$0.000000 because UES is not recovering for any extraordinary storm costs. *Id.*

II. POSITIONS OF THE PARTIES

A. UES

In its 2023 report, UES outlined the storm preparation expenses associated with six storm events in 2023 totaling \$1,398,886. In addition, UES also included the final costs for a storm that occurred on December 23, 2022. Although that storm was reported in 2022 report, final costs were not available at the time UES submitted that filing. UES reported \$437,410 in costs related to that storm. Taken together, the costs related to these seven storms equaled \$1,836,296. After subtracting the \$800,000 annual allocation for major storm events, UES reported a total deferral balance in the MSCR Fund of \$3,654,362 as of December 31, 2023.

With respect to the SRAF rate, UES does not seek to recover for any extraordinary storms in 2023. However, in response to the Commission’s recommendation that UES seek to reduce the large deferral balance in the MSCR Fund, UES is seeking permission to amend its tariff to allow the company to recover the reported \$3,654,362 deficit through the SRAF over a three-year period. In order to do so, UES is proposing to implement an SRAF rate of \$0.00114 per kWh effective

June 1, 2024. In other words, the proposed rate would allow UES to eliminate the existing deferral balance, and all carrying costs, within three years. UES represented at hearing that a future adjustment to the SRAF rate may be appropriate if the MSCR Fund continues to accrue a deferral balance.

If implemented, this proposal would increase SRAF rates—which are currently \$0.00000 per kWh—by \$0.00114. According to UES, the typical residential customer would experience a \$0.68 increase in their monthly electricity bill.

B. DOE

The DOE has notified the Commission that it was unable to finalize an audit of the 2023 MSCR Fund Report in time for the proposed June 1, 2024 effective date for the new SRAF rate. The DOE indicated that it intends to file an audit of the 2023 MSCR Fund Report, and that it will update its technical statement with the results and additional analysis after it completes the audit. Accordingly, the DOE was not able to recommend that the Commission approve the reported MSCR deferral balance of \$3,654,362 at the time of hearing.

That said, the DOE supported UES's proposal to amend the company's tariff to recover the MSCR deferral balance through the SRAF, as well as its proposal to implement an SRAF rate of \$0.00114 per kWh effective June 1, 2024. Because the final deferral balance, and resulting SRAF rates, may be affected by the results of the DOE's audit, the DOE recommends the Commission approve these changes subject to adjustment based on the audit. At hearing, UES agreed with the DOE's proposal to submit the audit after the effective date of the proposed rates and to condition approval on the results of the final audit.

III. COMMISSION ANALYSIS

The Commission is authorized to fix rates after a hearing, upon determining that rates, fares, and charges are just and reasonable. RSA 378:8. In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Co., Inc.*, 138 N.H. 221, 225 (1994).

UES's filing contains two separate elements, the 2023 MSCR Fund Report and the petition to amend the company's tariff. As an initial matter, the Commission believes it is necessary to review an audit of the 2023 MSCR Fund Report before approving the storm-related expenses. Therefore, consistent with the DOE's recommendation, the Commission will forego final approval of the report, including the reported deferral balance, until it receives the final audit report and updated technical statement from the DOE.

With respect to UES's petition to amend its tariff and implement a new SRAF rate effective June 1, 2024, the Commission approves both requests subject to the DOE's final audit. Specifically, the Commission finds that UES's proposal to recover the existing MSCR deferral balance through the SRAF over a three-year period is an appropriate method of reducing the deferral balance from accruing and therefore reducing carrying costs for UES's customers. Although this was not the initial purpose of the SRAF, the Commission finds that it is an effective adaptation of an existing rate mechanism to benefit UES's customers.

Likewise, the Commission finds the proposed SRAF rate of \$0.00114 effective June 1, 2024 to be just and reasonable. Specifically, implementing this rate will have

minimal impact on the typical residential monthly bills, but would result in long-term savings by reducing carry costs associated with the deferral balance.

Accordingly, the Commission **APPROVES** UES's petition to amend its tariff and the proposed SRAF rate effective June 1, 2024. However, both the final deferral balance, and resulting SRAF rate, may be adjusted pending the results of the DOE's audit. Finally, the Commission notes that it is generally appropriate for the final audit to occur prior to a hearing on a rate adjustment to minimize the need for future hearings and rate revisions.

Based upon the foregoing, it is hereby

ORDERED, that the Commission will forego final approval of the 2023 MSCR Fund Report until it receives the DOE's final audit report and revised technical statement; and it is

FURTHER ORDERED, that the DOE shall file the final audit report and revised technical statement by August 1, 2024; and it is

FURTHER ORDERED, that UES's proposal to amend its tariff to allow the company to recover the existing deferral balance in the MSCR Fund through the SRAF over a three-year period is **APPROVED**, with approval of the final deferral balance subject to the DOE's final audit; and it is

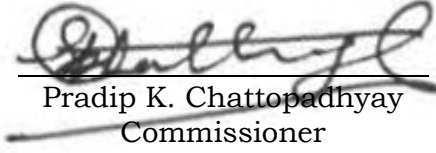
FURTHER ORDERED, that UES's proposed SRAF rate of \$0.00114 effective June 1, 2024 is **APPROVED** subject to the DOE's final audit; and it is

FURTHER ORDERED, that UES shall file properly annotated tariff pages in compliance with this order, as required by N.H. Code Admin. Rules Puc 1603, no later than 15 days from the issuance of this order.

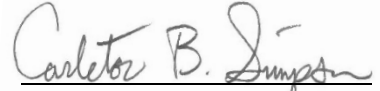
By order of the Public Utilities Commission of New Hampshire this thirty-first day of May, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 24-033

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Email Addresses

ClerksOffice@puc.nh.gov
campbellm@unitil.com
Energy-Litigation@energy.nh.gov
paul.b.dexter@energy.nh.gov
Stephen.R.Eckberg@energy.nh.gov
thomas.c.frantz@energy.nh.gov
karen.j.moran@energy.nh.gov
elizabeth.r.nixon@energy.nh.gov
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
mary.e.schwarzer@energy.nh.gov
mark.p.toscano@energy.nh.gov
jacqueline.m.trottier@energy.nh.gov