

**STATE OF NEW HAMPSHIRE
BEFORE THE NEW
HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DE 24-033
Unitil Energy Systems, Inc.
Petition to Increase Storm Recovery Adjustment Factor**

Technical Statement of Mark P. Toscano and Jacqueline Trottier, Utility
Analysts, Department of Energy, Division of Regulatory Support

May 10, 2024

The New Hampshire Department of Energy (“DOE”) has reviewed Unitil Energy System Inc.’s (“UES” or “the Company”) Petition to Increase Storm Recovery Adjustment Factor and the Company’s annual *Major Storm Cost Reserve Fund Report 2023* (“2023 Report”), filed February 28, 2024. The 2023 Report outlines storm preparation expenses associated with seven storm events whose direct costs UES reported as totaling \$1,398,886 from 2023 events plus additional \$437,410 from a 2022 storm for a total of \$1,836,296 and provides detailed reconciliation of the Company’s Major Storm Cost Reserve (“MSCR”) fund. The Company reported its MSCR fund balance as of December 31, 2023, to be in a deficit (under-collected) position of (\$3,654,362) and seeks approval to recover that deficit through its Storm Recovery Adjustment Factor (“SRAF”).

For the purposes of this Technical Statement, the Department relies upon the Company’s 2023 Report. See *DOE’s Joint Proposed Procedural Schedule* (April 2, 2024) at 2; *Procedural Order Re: Proposed Procedural Schedule* (April 4, 2024). The Department agrees that the Company’s request to transfer the MSCR deficit balance to the SRAF is responsive to the Commission’s concern as noted in Order No. 26,889 (September 27, 2023); see also Order No. 25, 214 (April 26, 2011) at 29-30. The proposed transfer of the deficit balance would significantly reduce the amount of interest charged to ratepayers. Consequently, the DOE recommends that the Commission approve the Company’s request to transfer the entire MSCR fund balance of \$3,654,362 into the SRAF and increase the SRAF rate to \$0.001114 per kWh, effective June 1, 2024, and recover this balance over a three-year period, subject to the DOE’s Final Audit Report.

In testimony filed in this docket on February 28, 2024, UES originally proposed recovering the balance over a five-year period. Upon inquiry from the Department, the Company agreed to revise the recovery calculation based on a three-year schedule, and did so. See Attachment 1, UES Response to DOE DR 1-1; UES Supplemental Filing (April 29, 2024)(including Goulding & Nawazelski Technical Statement, proposed Tariff pages and attachments). In the Department’s opinion, the reduced amortization period provides ratepayers with additional savings of \$151,184 and the increase in rates will be more likely to be borne by those customers who benefitted from the storm restoration services (and pre-storm precautions) for which recovery is being sought.

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, which are more significant than standard weather events. The Commission-approved MSCR annual amount of \$800,000 is included in the Company's base distribution rates. The SRAF was initially established as part of UES's base rate case, in Docket No. DE 10-055 and allows the company to petition to amortize MSCR costs. *See* Order No. 25,214 (April 26, 2011) at 29-30.

DOE's Analysis

The DOE's analysts reviewed each section of the 2023 Report, the proposed tariff pages, testimony of C. Goulding and D. Nawazelski, and schedules. Further, the Department issued one round of discovery and participated in an April 24, 2024, technical session with the Company.

The Company's 2023 Report outlines expenses from six (6) significant storm events, totaling \$1,398,886 (excluding costs associated with a December 16, 2023, wind event, which the Company explained were unavailable at the time of filing). Additionally, the Company included an adjustment of \$437,410 in the 2023 report to address costs from the December 24, 2022, windstorm, previously excluded from the 2022 report. Pending the DOE Final Audit Report, the DOE accepts this deficit total for the purposes of reviewing the Company's proposed increase in the SRAF.

With the additional costs in the 2023 Report, the MSCR Fund balance totals \$3,654,362 as of December 31, 2023. In the testimony of C. Goulding and D. Nawazelski,¹ the Company proposes to recover the \$3,654,632 over a five-year period with carrying charges calculated at 4.01 percent which is the Company's currently approved cost of debt, resulting in a proposed rate of \$0.00071 per kWh. The Company estimated a monthly rate impact of \$0.43 (or 0.3 percent) for a typical 600 kWh per month residential customer. The Company estimated the 5-year carrying charges at \$370,438. The Department verified these calculations are correct.

Given the relatively small customer impact, and a concern over accumulating interest, the Department inquired as to the rationale of the Company using a five-year amortization schedule versus a shorter period. The Company stated the reason was simply due to previous recommendations and was open to other options. The Department requested that the Company consider an amortization schedule based on a three-year term, and the Company agreed. *See* Attachment 1, UES Response to DOE DR 1-1.

The Company revised its calculations and provided a technical statement, new proposed tariff pages, and attachments on April 29, 2024, based on a three-year amortization schedule. The resulting proposed rate adjustment for the deferral balance is \$0.00114 per kWh versus a rate of \$0.00071 for the five-year period. By changing the recovery period from five-years to three-years the Company estimates that customers will save an additional \$151,184 in interest costs. The Company also estimates a monthly bill impact of \$0.68 (or 0.5 percent) for a typical 600 kWh per month residential customer. The Department reviewed the revised calculations and determined they are accurate.

¹ See testimony, filed February 28, 2024, beginning at page 7, line 2 (Bates page 000019).

DOE Recommendations

Subject to DOE's final audit, the DOE recommends that the Commission: (1) approve UES' 2023 Report which shows the under collected MSCR balance as of December 31, 2023, as (\$3,654,362); (2) approve the transfer of the MSCR balance of \$3,654,362 into the Storm Recovery Adjustment Factor ("SRAF"); and (3) approve the increase of the SRAF to \$0.00114 per kWh effective June 1, 2024. The Department will update this Technical Statement to address the MSCRF fund when the DOE Audit Division's Final Audit is available.

Unitil Energy Systems, Inc.
Docket No. DE 24-033

MSCR Fund Report/Petition to Increase Storm Recovery Adjustment Factor
Department of Energy Data Requests Set 1

Received: 4/5/24
Request No. DOE 1-1

Date of Response: 4/12/24
Witness: Goulding/Nawazelski

Request:

Reference March 28, 2024 filing, including but not limited to Testimony of Christopher J. Goulding and Daniel T. Nawazelski Bates page 000019 lines 1-7 8-10.

Please expand on how Unitil Energy Systems Inc. (“UES” or “the Company”) decided to amortize the December 31, MSCR deferral balance of \$3,654,362 over a 5-year period, with carrying charges calculated at 4.01 percent. If longer or shorter amortization periods were considered, please describe them and provide supporting calculations. If only a five-year period was considered, please provide a calculation(s) and the excel spreadsheet(s) for three years amortization. Would the Company consider a three-year period; why or why not? Please also provide Live Excel Spreadsheets.

Response:

The Company considered several factors when deciding to propose to amortize the MSCR balance over a 5-year period. These factors included financing considerations, amortization periods approved in prior SRAF proceedings, and customer bill impacts. A 5-year amortization period balances those factors, but the Company is amenable to shortening the time period, which would ultimately benefit rate payers by reducing carrying costs. Please refer to DOE 1-1 Attachment 1 for the calculation of recovery of the MSCR balance over a three-year period.

If the Company’s proposed SRAF of \$0.00071 per kWh is approved by the Commission, a typical 600 kWh residential customer on Default Service will see a monthly bill increase of \$0.43 or 0.3 percent.

If the Commission were to approve SRAF recovery over a three-year period, the resulting SRAF would be \$0.00114 per kWh, or an increase of \$0.00043 per kWh. This would result in a typical a 600 kWh residential customer on Default Service will seeing a monthly bill increase of \$0.68 or 0.5 percent.