

**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**

Supplemental Technical Statement of
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NH Department of Energy, Division of Regulatory Support

August 1, 2024

Introduction

On February 28, 2024, Unitil Energy Systems, Inc. (“UES” or “the Company”) filed its 2023 Major Storm Cost Reserve (MSCR) fund report and sought to implement a Storm Recovery Adjustment Factor (SRAF). A prehearing conference was held on March 28, 2024. The NH Department of Energy (“DOE” or “Department”) filed its technical statement on May 10, 2024, in which it reviewed and supported the Company’s supplemental SRAF proposal and relied upon the Company’s 2023 MSCR fund report, subject to the DOE Final Audit Report.

A hearing was held in this docket on May 16, 2024. During the hearing, the Company presented its petition to transfer the balance of the Major Storm Cost Reserve Fund (MSCR) into the Storm Recovery Adjustment Factor (SRAF) to address the \$3,654,362 deficit accumulated in the MSCR. The Company also presented its MSCR fund report, outlining the storm preparation and restoration expenses that contributed to the deficit, as well as a detailed reconciliation of the MSCR fund. The Department supported the SRAF, notably:

1. The transfer of the MSCR balance of \$3,654,362 into the Storm Recovery Adjustment Factor (“SRAF”); and
2. Increasing the SRAF rate to \$0.00114 per kWh (formally \$0.00/kWh) effective June 1, 2024 for three years to amortize the amount transferred from the MSCR.¹

This support was subject to the Department’s final review of the MSCR fund report after the issuance of the Department’s audit.

On May 31, 2024, the Commission issued Order No. 27,013 approving the Company’s proposed SRAF as fully described in the Company’s supplemental testimony filed April 29, 2024.

With the completion of the Department’s audit, this supplemental technical statement addresses the 2023 MSCR fund report. As described below, it is the Department’s opinion that the 2023 MSCR fund report balance is accurate as filed on February 28, 2024. The Department

¹ The Department notes that the three-year amortization will reduce carrying costs by approximately \$150,000 compared to carrying costs for the Company’s originally proposed five-year amortization. See Technical Statement of Toscano and Trottier filed May 10, 2024 in this Docket.

therefore recommends that the Commission accept and approve the 2023 MSCR fund report. In the opinion of the Department, if the Commission accepts this recommendation it could do so through an order *nisi*, and then no further process would be necessary; the docket could be closed.

DOE Analysis and Recommendation

Following the issuance of Commission Order No. 27,013 on May 31, 2024, the Department received the Final Audit on June 5, 2024. *See Attachment 1-Department's Annual [MSCR] Fund Report Final Report* (hereinafter "*Final Audit Report*"). Since then, the Department has engaged in a round of discovery and held a technical session with the Company, as described in the most recent procedural schedule filed on July 2, 2024. The Department reviewed the *Final Audit Report* which provides a detailed review of the qualifying storms and the reconciliation of the MSCR Fund. The Department's *Final Audit Report* did not identify any audit issues, but further clarity was provided surrounding the costs proposed for recovery.

The Company's 2023 MSCR fund report outlines expenses for six (6) significant storm events, totaling \$1,398,886 bringing the MSCR deficit to \$3,654,362. Audit highlighted some questions about the inclusion of expenses related to Hurricane Lee on September 15, 2023. *See Attachment 1- Final Audit Report*, p. 16. The Department included some follow up questions in data requests. *See Attachment 2-Company's Responses to DOE 2-3, 2-4 and 2-5*. Specifically, the Department inquired about why the Company did not include an EEI Index for the September 15, 2023, storm (Hurricane Lee).

Commission Order No. 25,214 issued on April 26, 2011 in Docket No. DE 10-055 (on p. 10) approved the parties' Settlement Agreement, and described a major storm event as follows: "Qualifying major storms include severe weather events causing 16 concurrent troubles (interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted, or 22 concurrent troubles, in either the Capital or Seacoast regions, as well as costs associated with planning and preparation activities in advance of severe weather if a qualifying major storm is likely to occur. A qualifying major storm will be considered likely to occur if the power disruption index ("PDI") from the Company's professional weather forecaster reaches a PDI level of 2 or greater with a 'high' (greater than 60 percent) level of confidence." The PDI index was later changed to Energy Event Index (EEI) due to a change in weather service providers.²

The Company acknowledged that it did not include the EEI Index for the Hurricane Lee event (the September 15th storm) and clarified that under the settlement agreement, the Company may also petition to recover costs for storms or natural disasters that do not meet the defined criteria for a qualifying major storm so long as they demonstrated the reasonableness of the expenditures.³ The Company provided their rationale for including these storm related costs in Section 6.5 (Exclusionary Criteria) of the MSCR fund report (on p. 23), which in part states, "Although this event did not ultimately result in a storm that meets exclusionary criteria, the projected weather-related impacts indicated that a qualifying major storm was likely to occur. Therefore, it was incumbent upon the Company to take all reasonable steps to prepare for a qualifying storm based on data and information provided by professional weather forecasters. Because it was reasonable and prudent for the Company to undertake these planning and preparation activities, the associated costs that

² Reference Attachment A of UES Major Storm Cost Reserve Fund Report 2023.

³ *See* Section 8.2 of Approved Permanent Rate Settlement Agreement (filed February 23, 2011) in Docket No. DE 10-055.

were incurred to prepare for this storm should be recoverable through the MSCR and the Company respectfully requests approval for recovery of these costs.” The Department acknowledges it was reasonable for the Company to take appropriate preparation actions for this storm and for those costs to be recovered from ratepayers.

The Department has determined it would be beneficial for the Company to break-out Qualifying Costs charged to the MSCR fund in their MSCR fund reports into separate categories for Preparation and Restoration. The Department requests that the Company provide this detail in future MSCR fund reports.

Conclusion

In conclusion, the DOE recommends that the Commission approve the 2023 MSCR fund report as filed on February 28, 2024. Commission Order No. 27,013 approved the transfer of the deferral balance from the MSCR Fund to the SRAF over a three-year period and approved the Company’s SRAF rate of \$0.00114/kWh, effective June 1, 2024. In the Department’s opinion, the Commission could conclude these matters through an order *nisi*, then no further action would be necessary, and the docket could be closed.