

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-171

UNITIL ENERGY SYSTEMS, INC.

Annual Reconciliation and Rate Filing

Order Suspending Tariff and Scheduling a Hearing

ORDER NO. 25,385

June 29, 2012

On June 15, 2012, Unitil Energy Systems, Inc. (UES or Company) filed its annual reconciliation of adjustable rate mechanisms established pursuant to its tariffs along with supporting testimony, exhibits and a proposed tariff. The adjustable rate mechanisms are included in UES's stranded cost charge (SCC) and external delivery charge (EDC). UES proposed the tariff changes for effect with service rendered on and after August 1, 2012. All filings, with the exception of any materials accorded confidential treatment, and rulings of the Commission can be found at <http://www.puc.nh.gov/Regulatory/Docketbk/2012/12-171.html>.

If the proposed changes are approved, the average class bill impacts for those customers taking default service from UES are increases of 2.1% for customers in the residential class, 2.2% for customers in the general service (G2) class, and 6.2% for customers in the large general service (G1) class. For customers in the G1 class, 3.6% of the increase is due to changes in the SCC and EDC to be considered in this proceeding and 2.6% of the increase is due to proposed changes to default service rates that were separately considered in Docket DE 12-003. Outdoor lighting customers' average bills will increase about 1.1%.

The SCC is the mechanism by which UES recovers contract release payments (CRPs) from Unitil Power Corp. (UPC) in accordance with the Amended Unitil System Agreement

approved by the Commission in Order No. 24,072 (October 25, 2002) in Docket No. DE 01-247, and by the Federal Energy Regulatory Commission. The CRPs are paid by UES as a condition to UPC waiving certain contractual rights against UES in connection with pre-existing power supply agreements. The CRPs are equal to the sum of the following categories of costs: (1) the portfolio sales charge, (2) the residual contract obligations, (3) the Hydro-Quebec support payments, and (4) true-ups from prior periods. The filing states that UPC's last portfolio sales charge was made in October 2010, and the last residual contract obligation buyout payment was made in September 2009.

The SCC obligations are calculated first based on a uniform energy-based per kilowatt hour (kWh) charge and then applied to each class based on the appropriate rate design. In addition to the energy-based SCC, customers in the G2 and the G1 classes incur a demand-based SCC. For these classes, UES used the ratio of demand and energy revenue under current rates to develop the demand and energy components of the SCC for effect August 1, 2012.

UES said that the uniform energy-based SCC rate, which is applied equally to all customer classes other than G2 and G1, is increasing by \$0.00016 per kWh. The resulting proposed energy-based SCC rates for the period beginning August 1, 2012 are as follows: increases for residential customers from a credit of \$0.0004 per kWh to a rate of \$0.00012; increases for G2 customers from a credit of \$0.00001 per kWh to a rate of \$0.00002 per kWh for G2 customers; and increases for G1 customers from a credit of \$0.00001 per kWh to a rate of \$0.00003 per kWh for G1 customers.

The proposed demand-based SCC rate for G1 and G2 customers is also increasing. For G2 customers, the demand-based SCC rate will increase from a credit of \$0.01 per kW to a rate

of \$0.02 per kW. For G1 customers, the demand charge will increase from a credit of \$0.01 per kilovolt-ampere (kVA) to a rate of \$0.03 per kVA. UES attributed the increase to a change in the prior period balance. UES also included an adjustment to the SCC related to the customer billing adjustment pending in Docket No. DE 11-105. Regarding this customer billing adjustment, UES stated that it proposes to include \$36,423 in each of the next three SCC rates. The \$36,423 includes interest at the rate of 3.25%.

The EDC includes costs associated with transmission, including third party transmission provider costs, regional transmission and operating entities, transmission-based fees and assessments, administrative costs associated with the renewable source option program, and various administrative, consulting and legal costs. UES calculated an increase of approximately \$4 million for the upcoming EDC rate period of August 2012 through July 2013 over the current EDC rate period of August 2011 through July 2012. UES attributed the increase to two factors: (1) higher third party transmission providers (Northeast Utilities Network Integration Transmission Service) costs and (2) higher regional transmission and operating entities cost for the upcoming period. UES calculated a proposed EDC rate of \$0.01757 per kWh for the period beginning August 1, 2012, which represents an increase of \$0.00278 per kWh as compared to the current EDC rate of \$0.01479 per kWh.

RSA 378:6 provides that pending any investigation of a rate schedule which does not represent a general rate change, the Commission may suspend the taking effect of such tariff filing for up to 3 months in order to investigate whether the proposed rates are just, reasonable and otherwise consistent with applicable law. We determine that such suspension and investigation are necessary under RSA 378:6.

The filing raises, *inter alia*, issues related to whether the calculation of stranded costs is in conformance with Order No. 24,072; whether it is appropriate to include costs associated with the customer billing adjustment related to Docket No. DE 11-105; whether the actual and forecasted costs and revenues are appropriately included in the computation of the proposed adjustments; whether the adjusted rates are just and reasonable as required by RSA 378:5 and 7; and whether the resulting rates are generally consistent with the principles of restructuring pursuant to RSA 374-F. Each party has the right to have an attorney represent them at their own expense.

Based upon the foregoing, it is hereby

ORDERED, pursuant to RSA 378:6, I(b), the Commission hereby suspends UES's proposed tariff to allow the filing to be investigated; and it is

FURTHER ORDERED that a Hearing pursuant to N.H. Code Admin. Rules Puc 203 be held before the Commission located at 21 S. Fruit Street, Suite 10, Concord, New Hampshire on July 17, 2012 at 10:00 a.m.; and it is

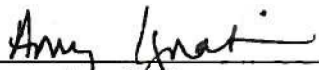
FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, UES shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than July 6, 2012, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before July 17, 2012; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to UES and the Office of the Consumer Advocate on or

before July 12, 2012, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Code Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before July 17, 2012.


By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of June, 2012.



Amy I. Ignatius
Chairman

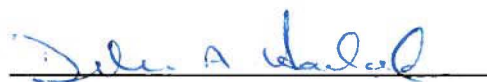


Michael D. Harrington (KNS)
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.