

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF**

**ROBERT S. FURINO**

**New Hampshire Public Utilities Commission**

**Docket No. DE 09-009**

**June 12, 2009**

**001**

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## **LIST OF SCHEDULES**

**Schedule RSF-1: Bid Evaluation Report**

**Schedule RSF-2: Request for Proposals**

**Schedule RSF-3: Customer Migration Report**

1    **I.     INTRODUCTION**

2    **Q.     Please state your name and business address.**

3    A.     My name is Robert S. Furino. My business address is 6 Liberty Lane West,  
4           Hampton, NH.

5  
6    **Q.     What is your relationship with Unitil Energy Systems, Inc.?**

7    A.     I am employed by Unitil Service Corp. (the "Service Company") as Director of  
8           the Energy Contracts department. The Service Company provides professional  
9           services to Unitil Energy Systems, Inc. ("UES").

10

11   **Q.     Please briefly describe your educational and business experience.**

12   A.     I received my Bachelor of Arts Degree in Economics from the University of  
13           Maine in 1991. I joined the Service Company in March 1994 as an Associate  
14           DSM Analyst in the Regulatory Services Department and have worked in the  
15           Regulatory, Product Development, Finance and Energy Contracts  
16           departments. My primary responsibilities involve energy supply acquisition.

17

18   **Q.     Have you previously testified before the New Hampshire Public Utilities**  
19           **Commission ("Commission")?**

20   A.     Yes. I have testified before the Commission on several occasions.

21

22

1    **II.    PURPOSE OF TESTIMONY**

2    **Q.    Please describe the purpose of your testimony.**

3    A.    My testimony documents the solicitation process followed by UES in its  
4           acquisition of Default Service power supplies (“DS”) for its G1 customers as  
5           approved by the Commission in Order No. 24,511, granting UES’ Petition for  
6           Approval of a Default Service Supply Proposal for G1 and Non-G1 Customers  
7           and Approval of Solicitation Process as amended by the Settlement Agreement  
8           filed with the Commission on August 11, 2005 (the “Order”). With the current  
9           RFP, UES has contracted for a 3-month DS power supply for its G1 customers  
10          with service beginning August 1, 2009.

11  
12        I describe how UES solicited for bids from wholesale suppliers to provide the  
13        supply requirements in accordance with the terms of the Order as UES has done  
14        in prior DS supply solicitations. I also describe how the proposals received were  
15        evaluated and the winning bidders were chosen. Supporting documentation and  
16        additional detail of the solicitation process followed is provided in the Bid  
17        Evaluation Report (“Report”), attached as Schedule RSF-1. A copy of the RFP as  
18        issued is attached as Schedule RSF-2. Finally, an updated Customer Migration  
19        Report is attached as Schedule RSF-3. The Customer Migration Report shows  
20        monthly retail sales and customer counts supplied by competitive generation, total  
21        retail sales and customer counts (the sum of default service and competitive

1 generation), and the percentage of sales and customers supplied by competitive  
2 generation. The report provides a rolling 12 month history which covers the  
3 period from May 2008 through April 2009.

4  
5 Additionally, my testimony reviews UES' approach to compliance with the  
6 Renewable Portfolio Standard (RPS) which went into effect in January 2008.

7  
8 **Q. Please summarize the approvals UES is requesting from the Commission.**

9 **A.** UES requests that the Commission:

- 10 • Find that: UES has followed the solicitation process approved by the  
11 Commission; UES' analysis of the bids submitted was reasonable; and UES  
12 has supplied a reasonable rationale for its choice of the winning supplier.  
13 • On the basis of these findings, conclude that the power supply costs resulting  
14 from the solicitation are reasonable and that the amounts payable to the seller  
15 under the supply agreement are approved for inclusion in retail rates.  
16 • Issue an order granting the approvals requested in UES' Petition on or before  
17 June 19, 2009, which date is five (5) business days after the date of this filing.

18  
19 **III. SOLICITATION PROCESS**

20 **Q. Please discuss the Solicitation Process UES employed to secure the supply**  
21 **agreement for DS power supplies.**

1 A. In the same manner as its prior solicitations for default service supplies, UES  
2 conducted an open solicitation in which it actively sought interest among potential  
3 suppliers, and provided potential suppliers with access to sufficient information to  
4 enable them to assess the risks and obligations associated with providing the  
5 services sought. UES did not discriminate in favor or against any individual  
6 potential supplier who expressed interest in the solicitation. UES negotiated with  
7 all potential suppliers who submitted proposals in order to obtain the most  
8 favorable terms each potential supplier was willing to offer. The structure, timing  
9 and requirements associated with the solicitation are fully described in the RFP  
10 issued on May 6, 2009, attached as Schedule RSF-2, and summarized in the  
11 Report attached as Schedule RSF-1.

12  
13 **Q. How did UES ensure that the RFP was circulated to a large audience?**

14 A. UES announced the RFP's availability electronically to all participants in  
15 NEPOOL by notifying all members of the NEPOOL Markets Committee via  
16 email. UES also announced the issuance of the RFP via email to a list of power  
17 suppliers and other entities such as distribution companies, consultants, brokers  
18 and members of public agencies who have previously expressed interest in  
19 receiving copies of UES's solicitations. UES followed up the email  
20 announcements with telephone calls to the power suppliers to solicit their interest.

1 In addition, UES issued a media advisory to the power markets trade press  
2 announcing the issuance of the RFP.  
3

4 **Q. What information was provided in the RFP to potential suppliers?**

5 A. The RFP described the details of UES' DS, the related customer-switching rules,  
6 and the form of power service sought. In order to gain the greatest level of  
7 market interest in supplying the load, UES provided potential bidders with  
8 appropriate and accessible information. Data provided included historical hourly  
9 default service loads and daily capacity tags for each customer group; historical  
10 monthly retail sales and customer counts by rate class and supply type; a generic  
11 listing of large customers showing sales, peak demands, capacity tag values and  
12 supply type; and the evaluation loads, which are the estimated monthly volumes  
13 that UES would use to weight bids in terms of price. The hourly load data and  
14 capacity tags, retail sales report, and large customer data were all updated prior to  
15 final bidding. All documents and data files were provided to potential suppliers  
16 via UES' corporate website ([www.unitil.com/rfp](http://www.unitil.com/rfp)).  
17

18 **Q. How did UES evaluate the bids received?**

19 A. UES evaluated the bids on both quantitative and qualitative criteria, including  
20 price, creditworthiness of bidders, a bidder's willingness to extend adequate credit  
21 to UES in order to facilitate the transaction, each bidder's capability of

1 performing the terms of the RFP in a reliable manner, and willingness to enter  
2 into contractual terms acceptable to UES. UES compared the pricing strips  
3 proposed by the bidders by calculating weighted average prices for the supply  
4 requirement using the evaluation loads that were issued along with the RFP.

5  
6 UES selected Dominion Energy Marketing, Inc. ("DEMI") as the supplier for the  
7 3-month G1 supply requirement. UES believes that DEMI offered the best  
8 overall value in terms of both price and non-price considerations for the supply  
9 requirement sought.

10  
11 **Q. Please describe the contents of the Bid Evaluation Report.**

12 A. Schedule RSF-1 contains the Report which further details the solicitation process,  
13 the evaluation of bids, and the selection of the winning bidder. The Report  
14 contains a narrative discussion of the solicitation process. A confidential section  
15 labeled "Tab A" follows the narrative. Tab A includes additional discussion  
16 regarding the selection of the winning bidders and presents several supporting  
17 exhibits that list the suppliers who participated, the pricing they submitted and  
18 other information considered by UES in evaluating final proposals, including a  
19 red-lined version of the final supply agreement. UES seeks protective treatment  
20 of all materials in provided in Tab A.



1 On the basis of the information and analysis contained in the Report, UES submits  
2 that it has complied with the Commission's requirements set forth in the Order,  
3 and that the resulting DS power supply costs are reasonable and that the amounts  
4 payable to the seller under the supply agreement should be approved for inclusion  
5 in retail rates.  
6

7 **Q. Please indicate the planned issuance date, filing date and expected approval**  
8 **date associated with UES' next default service solicitation.**

9 A. UES' next default service solicitation will be for twenty-five percent (25%) of  
10 Non-G1 supplies for a one-year period and for one hundred percent (100%) of G1  
11 supplies for a three-month period, both beginning November 1, 2009. UES plans  
12 to issue an RFP for these supplies on July 28, 2009, with a filing for approval of  
13 solicitation results planned for August 28, 2009 and approval anticipated on  
14 September 4, 2009. Labor Day is September 7 this year.  
15

16 **III. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

17 **Q. Please review the method by which UES intends to comply with the**  
18 **Renewable Portfolio Standard ("RPS") requirements.**

19 A. As discussed in prior default service filings, UES plans to comply with the  
20 provisions of Chapter 362-F outside of the default service procurement process by  
21 separately purchasing qualifying renewable energy certificates ("RECs") as

1 available or by making alternative compliance payments as required. UES  
2 anticipates complying with its 2008 RPS requirements largely with physical RECs  
3 it has purchased during the past year. Beginning with compliance for 2009, UES  
4 anticipates procuring the bulk of its RECs by means of two RFPs for RECs which  
5 will be conducted separately from its procurements of default service supply.  
6 UES is currently working with Commission staff and anticipates input from the  
7 Office of Consumer Advocate to establish a settlement agreement on its RECs  
8 procurement practices.

9  
10 **Q. Please describe how UES plans to recover the cost of RPS compliance from**  
11 **its customers.**

12 A. UES plans to recover the costs of RPS compliance from customers by including  
13 estimated costs of RPS compliance as part of its proposed retail rates each time  
14 new default service rates are proposed. The actual costs of RPS compliance will  
15 be reconciled as part of the Company's annual default service reconciliations,  
16 with G1 and Non-G1 costs reconciled separately.

17  
18 **Q. Please describe UES' estimates of RPS compliance costs.**

19 A. To comply with RPS requirements, for 2009 sales, UES will need to  
20 provide Class 1 RECs for 0.5 percent of sales, Class 3 RECs of 4.5 percent and

1 Class 4 RECs of 1.0 percent of sales. UES currently estimates the cost of 2009  
2 vintage Class 1 RECs at \$60.08, Class 3 RECs at \$29.35 Class 4 RECs at \$27.55.

3

4 **V. CONCLUSION**

5 **Q. Does this conclude your testimony?**

6 **A.** Yes, it does.

