

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

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New Hampshire Public Utilities Commission

Docket No. DE 13-079

September 27, 2013

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Todd M. Bohan. My business address is 6 Liberty Lane West, Hampton, NH.

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

A. I am employed by Unitil Service Corp. (“USC”) as a Senior Energy Analyst. USC provides management and administrative services to Unitil Energy Systems, Inc. (“UES”) and Unitil Power Corp. (“UPC”).

Q. Please briefly describe your educational and business experience.

A. I graduated *magna cum laude* from Saint Anselm College, Manchester, New Hampshire in 1987 with a Bachelor of Arts degree in Financial Economics. I earned a Masters in Economics from Clark University, Worcester, Massachusetts in May 1990. In September 1995, I earned a Ph.D. in Economics from Clark University. Before joining Unitil, I worked for Bay State Gas Company as a Rate Analyst. Prior to working for Bay State, I was employed as a Utility Analyst and an Economist in the Economics Department of the New Hampshire Public Utilities Commission. I joined Unitil Service Corp. in November 1998, and have been involved in various regulatory proceedings. In August of 2010, I joined the Energy Contracts group and have primary responsibilities in the areas of electric market operation and data reporting, default service administration and budgeting. In addition, I have administrative responsibilities associated with competitive electric supplier operations with Unitil.

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

3 A. Yes. I have testified before the Commission on various regulatory matters, most
4 recently in UES's Default Service Solicitation proceeding, Docket No. DE 13-079,
5 and UES's Stranded Cost Recovery and External Delivery Charge Reconciliation and
6 Rate Filing, Docket No. DE 13-172.

7 **II. PURPOSE OF TESTIMONY**

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

9 A. My testimony documents the solicitation process followed by UES in its acquisition of
10 Default Service power supplies ("DS") for its G1 and Non-G1 customers as approved
11 by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order") granting
12 UES's Petition for Approval of Revisions to its Default Service Solicitation Process
13 for G1 and Non-G1 Customers. With the current Request for Proposal ("RFP"), UES
14 has contracted for a six-month default service power supply for 100% of its small
15 customer group (Non-G1); 100% of its medium customer group (Non-G1); and 100%
16 of its large customer group (G1) service requirements. Service begins on December 1,
17 2013.

18 I describe how UES solicited for bids from wholesale suppliers to provide the supply
19 requirements in accordance with the terms of the Order as UES has done in prior
20 default service supply solicitations. I also describe how the proposals received were
21 evaluated and the winning bidders were chosen. Supporting documentation and

1 additional detail of the solicitation process followed is provided in the Bid Evaluation
2 Report ("Report"), attached as Schedule TMB-1. A copy of the RFP as issued is
3 attached as Schedule TMB-2, and an updated Customer Migration Report is attached
4 as Schedule TMB-3. The Customer Migration Report shows monthly retail sales and
5 customer counts supplied by competitive generation, total retail sales and customer
6 counts (the sum of default service and competitive generation) and the percentage of
7 sales and customers supplied by competitive generation. The report provides a rolling
8 13-month history which covers the period from August 2012 through August 2013.
9 Renewable Portfolio Standard ("RPS") Compliance Cost Estimates are included as
10 Schedule TMB-4. My testimony reviews UES's approach to compliance with the
11 RPS which went into effect in January 2008. Schedule TMB-4 details projected
12 obligations and price assumptions for the coming rate period. The price assumptions
13 listed in Schedule TMB-4 are based on recent market data and information and
14 alternative compliance payment prices. Schedule TMB-5 provides historical price
15 data by customer group that is no longer subject to confidential treatment. This
16 schedule provides pricing histories associated with the most recent three-month rate
17 periods for G1 customers or six-month rate periods for Non-G1 customers for which
18 all pricing is currently subject to the Federal Energy Regulatory Commission's
19 quarterly reporting requirements. Schedule TMB-6 provides an update on the
20 Renewable Source Option ("RSO") program participation and activity to date. Lastly,
21 Schedule TMB-7 provides the Renewable Source Option – Annual Review.

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

2 A. UES requests that the Commission:

- 3 • Find that: UES has followed the solicitation process approved by the Commission;
4 UES's analysis of the bids submitted was reasonable; and UES has supplied a
5 reasonable rationale for its choice of the winning suppliers.
- 6 • Find that the price estimates of renewable energy certificates ("RECs") proposed
7 by UES, based on actual purchases or current market prices and information, are
8 appropriate for inclusion in retail rates.
- 9 • On the basis of these findings, conclude that the power supply costs resulting from
10 the solicitation are reasonable and that the amounts payable to the sellers under the
11 supply agreements are approved for inclusion in retail rates.
- 12 • Issue an order granting the approvals requested herein on or before October 4,
13 2013, which is five (5) business days after the date of this filing.

14 **III. SOLICITATION PROCESS**

15 **Q. Please discuss the Solicitation Process UES employed to secure the supply**
16 **agreement for default service power supplies.**

17 A. In the same manner as its prior solicitations for default service supplies, UES
18 conducted an open solicitation in which it actively sought interest among potential
19 suppliers and provided potential suppliers with access to sufficient information to
20 enable them to assess the risks and obligations associated with providing the services

1 sought. UES did not discriminate in favor of or against any individual potential
2 supplier who expressed interest in the solicitation. UES negotiated with all potential
3 suppliers who submitted proposals to obtain the most favorable terms from each
4 potential supplier. The structure, timing and requirements associated with the
5 solicitation are fully described in the RFP issued on September 3, 2013. This is
6 attached as Schedule TMB-2 and is summarized in the Report attached as Schedule
7 TMB-1.

8 **Q. Does this solicitation differ from those recently issued by UES, and if so please**
9 **explain?**

10 A. The solicitation process followed is the same as in prior solicitations for UES. What
11 has changed is the duration and structure of the default service supplies sought. In
12 accordance with the Commission's Order, UES is transitioning its default service
13 procurement as follows:

- 14 • For the large customer default service supply (G1), UES has moved from a three-
15 month period to a six-month period. In addition, the pricing solicited is for a
16 variable monthly price comprised of the real-time locational marginal price for the
17 New Hampshire load zone weighted by the hourly loads of all G1 customers who
18 take default service plus a fixed monthly adder. The fixed monthly adder covers
19 the non-energy wholesale charges which are then added to the variable energy cost
20 to determine the wholesale cost. The solicitation asks suppliers to bid fixed
21 monthly adders (which can vary by month, but must be fixed for the month).

- 1 • For the small customer and medium customer default service supplies
2 (collectively, Non-G1), UES is moving from a ladder approach where a 25%
3 share is purchased for 12 or 24 months to a model where a 100% share is
4 purchased for a six-month period. In addition, UES is soliciting separately for its
5 small and medium customer groups.
- 6 • The current solicitation is the first solicitation under which UES is now fully
7 transitioned to its new default service procurement methodology approved by the
8 Commission in docket DE 12-003.

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

10 A. UES announced the electronic availability of the RFP to all participants in NEPOOL
11 by notifying all members of the NEPOOL Markets Committee and the NEPOOL
12 Participants Committee via email. UES also announced the issuance of the RFP via
13 email to a list of power suppliers and other entities such as distribution companies,
14 consultants, brokers and members of public agencies who have previously expressed
15 interest in receiving copies of UES's solicitations. UES followed up the email
16 announcements with telephone calls to the power suppliers to solicit their interest. In
17 addition, UES issued a media advisory to the power markets trade press announcing
18 the issuance of the RFP.

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

20 A. The RFP described the details of UES's default service, the related customer-
21 switching rules, and the form of power service sought. To gain the greatest level of

1 market interest in supplying the load, UES provided potential bidders with appropriate
2 and accessible information. Data provided included historical hourly default service
3 loads and daily capacity tags for each customer group; class average load shapes;
4 historical monthly retail sales and customer counts by rate class and supply type; a
5 generic listing of large customers showing annual sales, peak demands, and capacity
6 tag values as well as supply type (default service or competitive generation); and the
7 evaluation loads, which are the estimated monthly volumes that UES would use to
8 weigh bids in terms of price. The retail sales report was updated prior to initial
9 bidding to provide the latest information available. All documents and data files were
10 provided to potential suppliers via UES's corporate website (www.unitil.net/rfp).

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

12 A. UES evaluated the bids on both quantitative and qualitative criteria, including price,
13 creditworthiness, willingness to extend adequate credit to UES to facilitate the
14 transaction, capability of performing the terms of the RFP in a reliable manner and the
15 willingness to enter into contractual terms acceptable to UES. UES compared the
16 pricing strips proposed by the bidders by calculating weighted average prices for the
17 supply requirement using the evaluation loads that were issued with the RFP.

18 UES selected TransCanada Power Marketing, Ltd. ("TransCanada") as the winning
19 bidder of the small customer (Non-G1) supply requirement (100% share). Nextera
20 Energy Power Marketing, LLC ("Nextera") was selected as the supplier for the
21 medium customer (Non-G1) supply requirement (100% share) and as the supplier of

1 the large customer (G1) supply requirement (100% share). All three transactions are
2 for a period of six months. UES believes that TransCanada and Nextera offered the
3 best overall value in terms of both price and non-price considerations for the supply
4 requirements sought.

5 **Q. Please describe the contents of the Bid Evaluation Report.**

6 A. Schedule TMB-1 contains the Report which further details the solicitation process, the
7 evaluation of bids, and the selection of the winning bidders. The Report contains a
8 narrative discussion of the solicitation process. A confidential section labeled “Tab
9 A” follows the narrative. Tab A includes additional discussion regarding the selection
10 of the winning bidders and presents several supporting exhibits that list the suppliers
11 who participated as well as the pricing they submitted and other information
12 considered by UES in evaluating final proposals, including redlined versions of the
13 final supply agreements. UES seeks protective treatment of all materials provided in
14 Tab A.

15 On the basis of the information and analysis contained in the Report, UES submits that
16 it has complied with the Commission’s requirements, and that the resulting default
17 service power supply costs are reasonable and that the amounts payable to the sellers
18 under the supply agreements should be approved for inclusion in retail rates.

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

3 A. Similar to the current solicitation, UES's next default service solicitation will be for
4 one hundred percent (100%) of the small, medium and large customer supply
5 requirements for a six-month period. Delivery of supplies will begin on June 1, 2014.
6 UES plans to issue an RFP for these supplies on March 4, 2014, with a filing for
7 approval of solicitation results planned for April 4, 2014 and approval anticipated by
8 April 11, 2014.

9 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

10 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
11 **requirements.**

12 A. In accordance with the settlement agreement dated July 16, 2009, UES typically issues
13 two REC RFPs annually, each for approximately 50% of its REC obligations. In
14 addition, UES may make REC purchases outside of the RFP process when it finds it
15 advantageous to do so. For 2013 RPS compliance, UES completed a REC RFP on
16 April 30, 2013. UES has made some additional purchases outside of the REC RFP
17 issuance. Tab A includes an exhibit summarizing UES's REC purchases for 2013
18 compliance. UES anticipates issuing another REC RFP in the near future.

19 **Q. Please describe UES's estimates of RPS compliance costs.**

20 A. The current solicitation is for default service power supplies to be delivered beginning
21 December 1, 2013. Schedule TMB-4 lists the percentage of sales and the resulting

REC requirement for each class of RECs for RPS compliance along with UES's cost estimates for the period beginning December 2013. UES's cost estimates are based on current market prices as communicated by brokers of renewable products, recent purchases of RECs, and alternative compliance payment rates for 2013 and 2014.

Q. Does UES's estimate of RPS costs incorporate the latest RPS requirements for 2013 and 2014?

A. Yes. The following table provides a summary of the RPS requirements.

NH Renewable Portfolio Standards: 2013 - 2014					
Calendar Year	Class I	Class I Thermal	Class II	Class III	Class IV
2013	3.80%	0.00%	0.20%	1.50%	1.30%
2014	5.00%	0.40%	0.30%	7.00%	1.40%

Schedule TMB-4 RPS Compliance Costs Estimates incorporates the latest RPS requirements shown here.

V. RENEWABLE SOURCE OPTION

Q. Please briefly describe UES's RSO program.

A. The RSO Program, which the company has marketed to customers as the Green Neighbor Program, is an optional service that allows Domestic and Regular General Service default service customers who are not receiving payment assistance to financially support renewable generation. Through the program, customers may

1 choose to have 25 percent, 50 percent or 100 percent of their consumption matched
2 with purchases of Class I and Class II RECs. These REC purchase obligations are in
3 addition to UES's RPS obligations. Customers who choose to participate are billed an
4 additional charge – the Renewable Source Option Charge ("RSOC"), per Schedule
5 RSO of the Company's tariff, based on the level of participation chosen.

6 **Q. Please provide a summary of the RSO program to date.**

7 A. Schedule TMB-6 provides the number of customers participating in the program by
8 rate class and RSO option chosen, along with kilowatt-hour consumption and revenue
9 by program option, rate class and billing month. A projection of Class I and Class II
10 RECs that will be purchased as a result of the RSO program is also included in
11 Schedule TMB-6. In addition, on September 17, 2013, UES filed with the
12 Commission its annual review of its RSO program, which has been docketed as DE
13 13-262. A copy of this annual review is provided as Schedule TMB-7.

14 **Q. What is your recommendation regarding the Program?**

15 A. In early January 2012, a technical session was held at the Commission and the parties
16 in that docket had agreed to continue the RSO program in 2012 so that another year of
17 experience might result in a change in program participation. With well over an
18 additional year of experience since that time, there has been no noteworthy change in
19 the level of participation in the RSO program. Given the very low level of customer
20 participation in this optional program, UES proposes to close the RSO program
21 effective November 30, 2013.

1 **VI. CONCLUSION**

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

3 **A. Yes, it does.**