

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-250

UNITIL ENERGY SYSTEMS, INC.

Petition for Approval of Energy Service Solicitation and Resulting Rates for Small, Medium, and Large Customer Groups for the Period Beginning December 1, 2016

Order Approving Solicitation, Bid Evaluation, and Resulting Rates

ORDER NO. 25,951

October 7, 2016

APPEARANCES: Roach, Hewitt, Ruprecht, Sanchez, and Bischoff, P.C., by William D. Hewitt, Esq., on behalf of Unitil Energy Systems, Inc.; and Suzanne Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission finds that Unitil's recent market solicitation for power supply for its energy service customers, for the six-month period beginning December 1, 2016, was conducted in accordance with Commission orders. The Commission authorizes Unitil to recover the costs of the power supply through energy service rates effective with service rendered on and after December 1, 2016. The Order approves an energy service rate of 7.690 cents per kWh for residential customers. For an average residential customer who uses 634 kWh per month and who has not elected to receive service from the competitive market, the result will be an increase in monthly bills from \$89.91 to \$100.76, or 12.1%, when compared to the six-month period ending November 30, 2016.

I. PROCEDURAL HISTORY

On September 30, 2016, Unitil Energy Systems, Inc. (Unitil or Company), filed a petition requesting approval of its solicitation and procurement of default energy service supply for (1) residential (Rate D) customers, (2) small commercial (Rate G2) and outdoor lighting

(Rate OL) customers, and (3) large commercial and industrial (Rate G1) customers, each for 100% of power supply requirements for the six-month period from December 1, 2016, through May 31, 2017. The filing was made pursuant to the terms of a settlement agreement approved in Order No. 24,511 (September 9, 2005) as modified by subsequent orders, and most recently by Order No. 25,397 (July 31, 2012).

With its petition, Unitil filed the testimony of Lisa S. Glover, Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst, with supporting exhibits and proposed tariffs. Both Ms. Glover and Ms. McNamara are employed by Unitil Service Corp., which provides management and administrative services to Unitil and Unitil Power Corp. Also included in the filing was Unitil's quarterly customer migration report.

Unitil selected NextEra Energy Power Marketing, LLC (NextEra), to supply 100% of the power supply requirements to residential customers, and to supply 100% of the power supply requirements to small commercial and outdoor lighting customers, for the six-month period beginning December 1, 2016. Unitil selected Exelon Generation Company, LLC (Exelon), to provide 100% of the power supply requirements for the G1 customer group for the same six-month period.

Based on these selections, residential customers and small commercial and outdoor lighting customers who take energy service under Rate D, Rate G2 and Rate OL will experience monthly bill increases ranging from 5.2% to 12.1%, depending on customer class and usage. A residential energy customer using 634 kilowatt hours (kWh) per month, the average monthly usage for Unitil's residential customers, will experience an increase in monthly bills from \$89.91 to \$100.76, or 12.1%, when compared to the six-month period ending November 30, 2016. Bill impacts for the G1 customer group are unknown at this time because the wholesale supplier

charge will be determined each month based on the sum of fixed monthly adders and variable market prices.

With its filing, Unitil included certain confidential information contained in Schedule LSG-1, an attachment to Ms. Glover's testimony. Schedule LSG-1 includes a summary of Unitil's evaluation of the bids and bid prices, a description of the financial security offered by each bidder, red-lined purchase power agreements with the winning suppliers, together with other information that the Company claims is confidential and proprietary. Unitil requested protective treatment of certain information contained in its filing, stating that the information is entitled to confidential treatment as part of a routine filing pursuant to New Hampshire Code Admin. Rules Puc 201.06 and Puc 201.07. The Commission granted the requested protective treatment at hearing.

The Commission issued a secretarial letter on September 30, 2016, scheduling a hearing for October 6, 2016.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

Unitil issued requests for proposals (RFPs) on August 30, 2016. Consistent with prior solicitations, Unitil conducted an open solicitation process, actively sought interest among potential suppliers, and provided access to sufficient information to enable potential suppliers to assess the risks and obligations associated with providing the services sought. Unitil provided market notification of the RFPs by announcing their availability to all participants in the New England Power Pool (NEPOOL) and to members of the NEPOOL Markets Committee, as well as by announcing the issuance of the RFPs to a list of energy companies that had previously

expressed interest in receiving notices of solicitations. In addition, Unitil issued a media advisory regarding the RFPs to the power markets trade publications.

Unitil received initial bids on September 20, 2016, and final bids one week later. Unitil stated that it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil to facilitate the transaction, capability of performing the terms of the power purchase agreement in a reliable manner, and willingness to enter into contractual terms acceptable to Unitil.

Unitil selected NextEra and Exelon based on its conclusion that those suppliers offered the best overall value in terms of price and the non-price considerations listed above. Schedule LSG-1 of Unitil's filing contains a more detailed description of the bid evaluation process. Red-lined copies of amendments to existing power supply agreements (PSAs) between Unitil and NextEra and Unitil and Exelon are also included in Schedule LSG-1. Unitil testified that the PSAs contain no new terms as compared to the form PSA Unitil attached to the RFPs.

Unitil includes a renewable portfolio standard (RPS) compliance adder to the power supply costs in its calculation of the energy service rate. The RPS adder is the per kWh charge by which Unitil obtains revenue to meet its RPS obligations pursuant to RSA 362-F. To comply with its RPS requirements, Unitil first attempts to purchase qualifying renewable energy certificates (RECs), one REC representing one megawatt hour of power produced by a renewable generation source. Unitil typically issues two REC RFPs annually, each for approximately 50% of its projected obligations. In addition, Unitil may make REC purchases outside of the RFP process when it finds it is advantageous to do so. For 2016 RPS compliance Unitil made some purchases outside the REC RFP process.

Unitil testified that the current solicitation is for default service power supplies to be delivered beginning December 2016. The RPS requirements change effective January 1, 2017, resulting in increased RPS obligations for Class I (new renewable) sources, Class I thermal sources, and Class III (existing biomass) sources. The increased RPS obligation results in increases to the RPS adder. The effect of the increase is offset, however, because of a decrease to the 2016 Class III RPS requirement ordered by the Commission after the RPS adder was set a year ago. The reduction in the RPS requirement was an over-collection by Unitil that is returned to ratepayers through the rates set in this proceeding.

Residential, small commercial and outdoor lighting customers pay a fixed monthly RPS adder for the six-month period. Effective with services rendered on and after December 1, 2016, the RPS adder for these customers will increase from 0.218 cents per kWh to 0.364 cents per kWh. G1 customers pay an RPS factor that can vary from month to month. For G1 customers, the RPS adder for December 2016 will be 0.361 cents per kWh. For the months January through May, 2017, G1 customers will pay an RPS adder of 0.683 cents per kWh.

Based on the prices offered by the winning bidders, Unitil calculated the fixed rate for the energy component to be 7.326 cents per kWh for the residential customer group, and 6.960 cents per kWh for small commercial and outdoor lighting customers.¹ With the addition of the RPS adder, the resulting energy service rate for residential customers is 7.690 cents per kWh for the six-month period beginning December 1, 2016, or an average increase of 12.1% in monthly bills as compared with the six-month period ending November 30, 2016. With the addition of the RPS adder, the energy service rate for small commercial and outdoor lighting customers will be 7.324 cents per kWh for the six month period beginning December 1, 2016, or an average

¹ The energy service rate for residential customers during the last “winter” season (December-May) was 1.7 cents higher than this year’s rate. For small commercial and outdoor lighting customers, the energy service rate was 1.8 cents higher.

increase in monthly bills of 10.9% for small commercial customers, and an increase of 5.2% in monthly bills for outdoor lighting customers, as compared with the six-month period ending November 30, 2016.

Unitil requested that the Commission find that the Company followed the approved bid solicitation and evaluation process, and approve the rates to recover the costs associated with the procurement of default energy service.

B. Staff

Staff noted that Order No. 25,880 (April 8, 2016) in this docket required Staff to complete by September 15, 2016, its review of the lead/lag study filed by Unitil on March 4, 2016. Staff reported that it completed the review and found that the study was appropriately conducted.

Staff said that it reviewed the filing and determined that the Company followed the power supply solicitation, bid evaluation, and bid selection process approved by the Commission, and that the resulting rates are market based consistent with the requirements of RSA 374-F.

III. COMMISSION ANALYSIS

We find that Unitil's solicitation and bid evaluation procedures conform to the process the Commission approved in Order No. 24,511 (as modified) for the procurement of power supply for customers taking energy service from the Company, and that the resulting rates are just and reasonable and market based. On that basis, we find that Unitil's selection of NextEra to provide power supply for the residential customer group and the small commercial and outdoor lighting customer group, and its selection of Exelon to provide power for the G1 customer group, are consistent with the Commission's orders.

We note that Staff stated on the record that it had reviewed Unitil's lead/lag study, and that the study was appropriately conducted. On that basis, we approve the lead/lag study and authorize the Company to use the result of the study in calculating rates. We understand that Unitil used the results of that study in calculating the rates contained in the filing that is the subject of this Order.

Based upon the foregoing, it is hereby

ORDERED, the power supply agreement entered into by Unitil Energy Systems, Inc. with NextEra Energy Power Marketing, LLC for 100% of the power supply requirements for Rate D, Rate G2 and Rate OL customers for the six-month period beginning December 1, 2016, is hereby approved; and it is

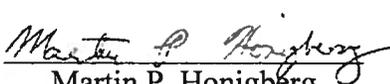
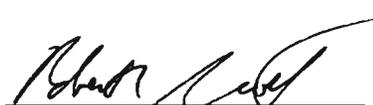
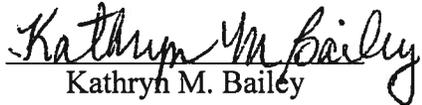
FURTHER ORDERED, that the power supply agreement entered into by Unitil Energy Systems, Inc. with Exelon Generation Company, LLC for 100% of G1 customer power supply requirements for the six month period beginning December 1, 2016, is hereby approved; and it is

FURTHER ORDERED, that Unitil is authorized to recover the costs associated with the power supply requirements through energy service rates effective with services rendered on and after December 1, 2016; and it is

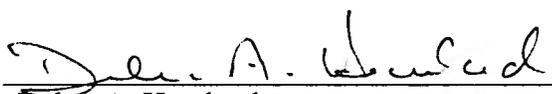
FURTHER ORDERED, that Unitil's 2016 lead/lag study is hereby APPROVED for use in the calculation of rates; and it is

FURTHER ORDERED, that Unitil shall file conforming tariffs, incorporating the new energy service rates as approved herein, within 20 days of the date of this Order consistent with New Hampshire Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this seventh day of
October, 2016.

 _____ Martin P. Honigberg Chairman	 _____ Robert R. Scott Commissioner	 _____ Kathryn M. Bailey Commissioner
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Attested by:



Debra A. Howland
Executive Director

