

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-035

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Energy Service Solicitations and Resulting Rates for Small,
Medium, and Large Customers Beginning December 1, 2018**

Order Approving Petition

ORDER NO. 26,180

October 5, 2018

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Paul B. Dexter, Esq., on behalf of Commission Staff.

In this order, the Commission finds that Unitil's recent competitive market solicitation for power supply for its energy service customers for the six-month period beginning December 1, 2018, was conducted in accordance with prior Commission orders. The Commission also finds that the resulting rates are market-based, and are just and reasonable. 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, 2018. This order approves a six-month energy service rate of 11.689 cents per kilowatt hour (kWh) for residential customers taking energy service from Unitil. For a residential customer using 650 kWh per month, when compared to rates in effect last winter, monthly bills will be \$133.79 rather than \$124.39, representing an increase of 7.6 percent, and the average increase in monthly bills for small commercial customers taking energy service from Unitil will be 5.6 percent. Customer bills, however, will increase by about 20 percent when compared to rates currently in effect.

I. PROCEDURAL HISTORY

On September 28, 2018, Unitil Energy Systems, Inc. (Unitil or the Company), filed a petition requesting approval of its solicitation and procurement of energy service 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. The solicitation process is designed to procure 100 percent of the power supply requirement for each customer group for the six-month period beginning December 1, 2018. Unitil filed the petition pursuant to the terms of a settlement agreement approved in Order No. 24,511 (September 9, 2005), as modified by subsequent orders, most recently by Order No. 25,397 (July 31, 2012). NextEra Energy Marketing, LLC (NextEra), was the winning bidder for Unitil's residential customer group, small commercial and outdoor lighting customer group, and G1 customer group.

With its petition, Unitil filed the testimony of Lisa S. Glover, Senior Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst, with exhibits and proposed tariffs. In addition, Unitil submitted its quarterly customer migration report. Pursuant to N.H. Code Admin. Rules Puc 201.06 and 201.07, Unitil requested confidential treatment of the following documents: Tab A of Exhibit LSG-1; page 2 of Schedule LSM-2; and e-mails dated September 28, 2018, that were exchanged between and among Commission Staff (Staff) and the Office of Consumer Advocate (OCA). Unitil asserted that those schedules and e-mails contain confidential information.

This is Unitil's second default service solicitation in 2018 and the instant docket was opened early in the year to cover both. The OCA filed its letter of participation pursuant to RSA 363:28 for the entire docket back in March. For this second solicitation, the Commission issued a secretarial letter on September 28, 2018, scheduling a hearing on October 3. The hearing was held as scheduled.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-035.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

On August 28, 2018, Unitil issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period of December 1, 2018, through May 31, 2019. On September 11, 2018, Unitil received initial bids that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Unitil received final bids on September 25, 2018. Unitil evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil to facilitate the transaction, capability of meeting the terms of the power supply agreement (PSA) in a reliable manner, and willingness to enter into contractual terms acceptable to the Company. After completing the bid evaluations, the Company notified the winning bidder. According to Unitil, it selected NextEra because NextEra 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.

Unitil includes a renewable portfolio standard (RPS) compliance adder to the power supply costs in its calculation of the energy service rate. The RPS compliance adder is the per kWh charge by which Unitil obtains revenue to meet its RPS obligations pursuant to RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to purchase renewable energy certificates (RECs); one REC represents one megawatt hour of power produced by a renewable generation source. Unitil issues one REC RFP annually for a portion of its projected RPS obligations. In addition, Unitil makes REC purchases outside of the RFP process when it finds it is advantageous to do so. For 2018 RPS compliance, Unitil has made

some purchases outside of the REC RFP process. With rates effective on and after December 1, 2018, the RPS compliance adder will be 0.082 cents per kWh for the residential and the small commercial and outdoor lighting customer groups, a decrease from the current RPS adder of 0.171 cents per kWh. For the G1 customer group, the RPS adder will be 0.143 cents per kWh.

Based on the prices offered by the winning bidder, the fixed rate for the energy component of the default service rate for residential customers will be 11.607 cents per kWh, and for small commercial and outdoor lighting customers will be 10.516 cents per kWh. With the addition of the RPS adder, the resulting energy service rate for residential customers is 11.689 cents per kWh for the six-month period beginning December 1, 2018. The rate currently in effect for energy service is 8.238 cents per kWh. The difference between that rate and the rate procured in this solicitation results in an increase of 20.1 percent in overall monthly bills for residential customers. The energy service rate with the RPS adder for small commercial customers will be 10.598 cents per kWh, resulting in an average increase of 20.9 percent in monthly bills for customers using 2,800 kWh per month. Outdoor lighting customers will also pay 10.598 cents per kWh.

When compared to the corresponding six-month period that began on December 1, 2017, and ended on May 31, 2018, monthly bills will be \$133.79 rather than \$124.39, for a residential customer using 650 kWh per month, representing an increase of 7.6 percent. The average increase in monthly bills for general service (small commercial) customers taking energy service from Unitil will be 5.6 percent when compared to the same period last year.

Bill impacts for G1 customers are unknown because, in the six-month service period, the power supply charge component of G1 customers' bills will be determined monthly based on the prior month's average Real-Time hourly Locational Marginal Price for the New Hampshire load zone, plus an adder to cover non-energy wholesale costs, and the RPS adder.

Unitil attributed the proposed increase in rates to higher market prices for energy during the winter months as well as higher capacity prices resulting from the ninth forward capacity auction (FCA 9). Unitil requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates.

B. OCA

The OCA stated the Commission should approve the rates requested by Unitil as just and reasonable and in the public interest.

C. Staff

Staff said that Unitil had complied with Commission orders regarding the solicitation, evaluation, and selection of the winning bidder, and that the proposed rates are market-based and are just and reasonable. Staff recommended that the Commission approve the rates requested by Unitil. Finally, Staff stated it had reviewed the 2017 lead/lag study submitted on April 9, 2018, and that the results were acceptable for use with respect to this filing.

III. COMMISSION ANALYSIS

We find that Unitil's solicitation and bid evaluation process 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. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based, and are just and reasonable. Unitil's selection of NextEra to provide power supply for the residential, small commercial and outdoor lighting, and G1 customer groups is consistent with Commission orders. We also approve Unitil's use of the 2017 lead/lag study previously filed and the resulting cash working capital requirement. We request, however, that Unitil continue to monitor the impact on default energy service rates resulting from the inclusion of all winter months in the same six-month rate period.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by Unitil with NextEra Energy Marketing, LLC, for 100 percent of power supply requirements for Rate D, Rate G2, Rate OL, and Rate G1 customers for the six-month period beginning December 1, 2018, are hereby APPROVED; and it is

FURTHER ORDERED, that Unitil's request to recover the costs of the power supply agreements through rates effective with services rendered on and after December 1, 2018, through May 31, 2019, is hereby APPROVED; and it is

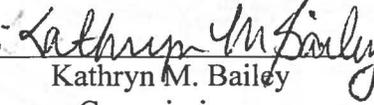
FURTHER ORDERED, that Unitil is authorized to use the results of the 2017 lead/lag study in the calculation of rates subject to any reconciliation; and it is

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

By order of the Public Utilities Commission of New Hampshire this fifth day of October, 2018.



Martin P. Honigberg
Chairman

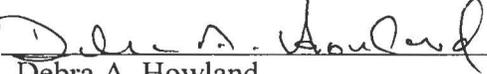


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director