

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 11-028

June 10, 2011

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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

Schedule RSF-4: RPS Compliance Cost Estimates

Schedule RSF-5: Historical Pricing by Customer Group

Schedule RSF-6: RSO Program Update

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

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 many occasions.

4
5 **II. PURPOSE OF TESTIMONY**

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

7 A. My testimony documents the solicitation process followed by UES in its
8 acquisition of Default Service power supplies ("DS") for its G1 and Non-G1
9 customers as approved by the Commission in Order No. 24,511, granting UES'
10 Petition for Approval of a Default Service Supply Proposal for G1 and Non-G1
11 Customers and Approval of Solicitation Process as amended by the Settlement
12 Agreement filed with the Commission on August 11, 2005 (the "Order"). With
13 the current RFP, UES has contracted for a three-month DS power supply for its
14 G1 customers, with service beginning on August 1, 2011.

15

16 I describe how UES solicited for bids from wholesale suppliers to provide the
17 supply requirements in accordance with the terms of the Order as UES has done
18 in prior DS supply solicitations. I also describe how the proposals received were

1 evaluated and the winning bidder was chosen. Supporting documentation and
2 additional detail of the solicitation process followed is provided in the Bid
3 Evaluation Report (“Report”), attached as Schedule RSF-1. A copy of the RFP as
4 issued is attached as Schedule RSF-2, and an updated Customer Migration Report
5 is attached as Schedule RSF-3. The Customer Migration Report shows monthly
6 retail sales and customer counts supplied by competitive generation, total retail
7 sales and customer counts (the sum of default service and competitive generation)
8 and the percentage of sales and customers supplied by competitive generation.
9 The report provides a rolling 12-month history which covers the period from May
10 2010 through April 2011.

11

12 Renewable Portfolio Standard ("RPS") Compliance Cost Estimates are included
13 as Schedule RSF-4. My testimony reviews UES’ approach to compliance with
14 the RPS which went into effect in January 2008. Schedule RSF-4 details
15 projected obligations and price assumptions for the coming rate period. The price
16 assumptions listed in Schedule RSF-4 are based on recent market data. Schedule
17 RSF-5 provides historical price data by customer group that is no longer subject
18 to confidential treatment. This schedule provides pricing histories associated with
19 the most recent 3-month rate periods for G1 customers for which all pricing is

1 currently subject to the Federal Energy Regulatory Commission's ("FERC")
2 quarterly reporting requirements. Lastly, Schedule RSF-6 provides an update on
3 the Renewable Source Option ("RSO") program participation and activity to date.

4
5 **Q. Please summarize the approvals UES is requesting from the Commission.**

6 A. UES requests that the Commission:

- 7 • Find that: UES has followed the solicitation process approved by the
8 Commission; UES' analysis of the bids submitted was reasonable; and UES
9 has supplied a reasonable rationale for its choice of the winning suppliers.
- 10 • Find that price estimates of renewable energy certificates ("RECs") proposed
11 by UES, based on actual purchases or current market prices, are appropriate
12 for inclusion in retail rates.
- 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 sellers
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 17, 2011, which is five (5) business days after the date of this filing.

18

1 **III. SOLICITATION PROCESS**

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

4 A. In the same manner as its prior solicitations for default service supplies, UES
5 conducted an open solicitation in which it actively sought interest among potential
6 suppliers and provided potential suppliers with access to sufficient information to
7 enable them to assess the risks and obligations associated with providing the
8 services sought. UES did not discriminate in favor of or against any individual
9 potential supplier who expressed interest in the solicitation. UES negotiated with
10 all potential suppliers who submitted proposals to obtain the most favorable terms
11 from each potential supplier. The structure, timing and requirements associated
12 with the solicitation are fully described in the RFP issued on May 10, 2011, which
13 is attached as Schedule RSF-2, as well as summarized in the Report attached as
14 Schedule RSF-1.

15

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

17 A. UES announced the electronic availability of the Request for Proposal ("RFP") to
18 all participants in NEPOOL by notifying all members of the NEPOOL Markets
19 Committee via email. UES also announced the issuance of the RFP via email to a

1 list of power suppliers and other entities such as distribution companies,
2 consultants, brokers and members of public agencies who have previously
3 expressed interest in receiving copies of UES' solicitations. UES followed up the
4 email announcements with telephone calls to the power suppliers to solicit their
5 interest. In addition, UES issued a media advisory to the power markets trade
6 press announcing the issuance of the RFP. The announcement was carried by
7 *Megawatt Daily* on May 11, 2011.

8

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

10 A. The RFP described the details of UES' DS, the related customer-switching rules,
11 and the form of power service sought. To gain the greatest level of market
12 interest in supplying the load, UES provided potential bidders with appropriate
13 and accessible information. Data provided included historical hourly default
14 service loads and daily capacity tags for each customer group; historical monthly
15 retail sales and customer counts by rate class and supply type; a generic listing of
16 large customers showing annual sales, peak demands, and capacity tag values as
17 well as supply type (default service or competitive generation); and the evaluation
18 loads, which are the estimated monthly volumes that UES would use to weight
19 bids in terms of price. The hourly load data, capacity tags, historical monthly

1 retail sales and customer counts by rate class and supply type were updated prior
2 to final bidding. All documents and data files were provided to potential suppliers
3 via UES' corporate website (www.unitil.net/rfp).

4

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

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

13

14 UES selected Hess Corporation, Inc. ("Hess") as the supplier for the three-month
15 G1 supply. UES believes that Hess offered the best overall value in terms of both
16 price and non-price considerations for the supply requirements sought.

17

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

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

10

11 On the basis of the information and analysis contained in the Report, UES submits
12 that it has complied with the Commission’s requirements set forth in the Order,
13 and that the resulting DS power supply costs are reasonable and that the amounts
14 payable to the sellers under the supply agreements should be approved for
15 inclusion in retail rates.

16

17 **Q. Please indicate the planned issuance date, filing date and expected approval**
18 **date associated with UES’ next default service solicitation.**

1 A. UES' next default service solicitation will be for one hundred percent (100%) of
2 G1 supplies for a three-month period and for 25% of non-G1 supplies for a 24-
3 month period, both beginning November 1, 2011. UES plans to issue an RFP for
4 these supplies on August 9, 2011, with a filing for approval of solicitation results
5 planned for September 9, 2011 and approval anticipated by September 16, 2011.

6

7 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

8 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
9 **requirements.**

10 A. In accordance with the settlement agreement dated July 16, 2009, UES issues two
11 REC RFPs annually, each for approximately 50% of its REC obligations. In
12 addition, UES may make REC purchases outside of the RFP process when it finds
13 it advantageous to do so. For 2010 RPS compliance, UES did not fill all of its
14 REC requirements after completing the two required REC RFPs. UES issued a
15 third REC RFP on May 16, 2011, but received no bids. Tab A includes an exhibit
16 summarizing UES' REC purchases for 2010 compliance.

17

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

1 A. The current solicitation is for default service power supplies to be delivered
2 beginning August 2011. Schedule RSF-4 lists the percentage of sales and the
3 resulting REC requirement for each class of RECs for RPS compliance along with
4 UES' cost estimates for the period beginning August 2011. UES' cost estimates
5 are based on both current market prices as communicated by brokers of renewable
6 products and recent purchases of 2010 vintage RECs.

7

8 **V. RENEWABLE SOURCE OPTION UPDATE**

9 **Q. Please briefly describe UES' RSO program which was approved by the**
10 **Commission on May 7, 2010 in docket, DE 09-224.**

11 A. The RSO Program, which the company is marketing to customers as the Green
12 Neighbor Program, is an optional service that allows Domestic and Regular
13 General Service default service customers who are not receiving payment
14 assistance to financially support renewable generation. Through the program,
15 customers may choose to have 25 percent, 50 percent or 100 percent of their
16 consumption matched with purchases of Class I and Class II RECs. These REC
17 purchase obligations are incremental to UES' RPS obligations. Customers who
18 choose to participate are billed an additional charge – the Renewable Source

1 Option Charge (“RSOC”), per Schedule RSO of the Company’s tariff, based on
2 the level of participation chosen.

3
4 With each default service filing, UES provides an update on program activity,
5 which is provided in Schedule RSF-6. With each non-G1 default service filing,
6 UES reviews its RSOC rates and proposes new RSOC rates as appropriate for
7 each of the three options available. Since the current filing does not include non-
8 G1 supplies, changes to the RSOC rates are not proposed.

9

10 **Q. Please describe UES’ ongoing efforts to market the RSO program.**

11 A. UES continues to promote participation in the RSO program, which is marketed
12 to our customers as the Green Neighbor Program. On April 22, in conjunction
13 with Earth day, UES sent out the following tweet on its Twitter account: “Happy
14 Earth Day. Show your support by signing up for our NH Green Neighbor
15 program. Details here on Facebook: <http://ow.ly/4F1w4>”. The Company
16 featured the RSO program in its May 2011 customer newsletter, which went to all
17 UES electric customers. On May 5, UES sent another tweet that said “If you’re
18 looking to support renewable energy our NH Green Neighbor Program is an

1 option. Details here on Facebook <http://ow.ly/4Niyp>". UES also continues to
2 have magnetic signs advertising the program on its electric service vehicles.

3

4 **Q. Please provide a summary of RSO program participation to date.**

5 A. Schedule RSF-6 provides the number of customers participating in the program
6 by rate class and RSO option chosen, along with kilowatt-hour consumption and
7 revenue by program option, rate class and billing month. A projection of Class I
8 and Class II RECs that will be purchased as a result of the RSO program is also
9 included in Schedule RSF-6.

10

11 **VI. CONCLUSION**

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

13 A. Yes, it does