

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-003

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Revisions to Default Service Solicitation Process for
G1 and Non-G1 Customers**

SUPPLEMENTAL ORDER OF NOTICE

On June 5, 2012, Unitil Energy Systems, Inc. (UES or Company) filed a petition for approval of revisions to the processes it uses to procure default service power supply for its large commercial and industrial (G1) and its residential and small commercial (Non-G1) customers. UES filed supporting testimony and related exhibits with its petition.

UES currently solicits default service pursuant to the terms of a settlement agreement approved by the Commission in Order No. 24,511 (September 9, 2005) as modified by Order No. 24,897 (September 19, 2008). Pursuant to the settlement agreement, UES solicits 100% of default service load requirements for a three-month period for its G1 customers and establishes fixed monthly prices which vary from month to month. For Non-G1 customers, UES uses a portfolio of contracts and solicits blocks of 25% of load requirements every six months for either 12-month or 24-month periods. UES then sets prices for Non-G1 customers for a six-month period based on the average cost of power in the portfolio of contracts.

UES proposes to modify this solicitation structure as follows: First, UES proposes to move its procurement cycle forward by one month to coordinate the solicitation for New Hampshire default service supply with that of UES's Massachusetts affiliate, Fitchburg Gas and Electric Light Company (FG&E). According to UES, the combination of the New Hampshire

and Massachusetts solicitations will bring a larger load to market at one point in time and thereby attract more potential bidders. In addition, the Company stated that moving the procurement period forward by one month avoids conflicts with other solicitations occurring in the New England market, such as those of National Grid.

Second, for Non-G1 customers, UES proposes serve the Non-G1 customer group through a solicitation for 100% of six-months load requirements, and to phase out the laddered portfolio mechanism. UES said that these changes are beneficial to Non-G1 customers because suppliers view longer-term obligations as more risky than short term, and substituting a six-month supply for the current 12-month and 24- month contract terms would present less risk for suppliers. UES anticipates increased supplier participation in the solicitation and resulting improved pricing for customers.

Third, UES proposes to split the Non-G1 customer group into a small (residential) customer group and a medium (outdoor lighting and small commercial and industrial) customer group. UES said the division of the Non-G1 customers into these two groups reflects the differences in migration to third party supply experienced by the two groups. According to UES, the rate of migration for the small customers is roughly 1% of total energy sales for that group, while the rate of migration for the medium customer group exceeds 30%. According to UES, splitting the groups and their different load factors along with separately taking into account migration risk and should result in overall lower prices for each group.

Finally, UES proposes to change the G1 default service pricing from fixed monthly prices for a term of three months to variable prices for a six-month period where potential suppliers submit bids for fixed monthly adders to be added to the locational market price (LMP). If the change is approved, UES will seek through the competitive bidding process adders which would

be fixed for each month, but which may vary by month for G1 customers for a six-month period. The resulting monthly contract price would be determined by adding the fixed monthly adder to the real-time LMP for the New Hampshire load zone weighted by the hourly loads of all G1 customers who take default service from UES. UES said it expects increased supplier interest in bidding to serve G1 customer load as a result of this change based on its experience with FG&E.

UES requested that the Commission consider its proposal and issue a final order by August 3, 2012. The Company said that it expects that it will take one year to complete the transition to the new structure. Assuming approval by August 3, 2012, the proposed changes would begin with contracts for November 1, 2012. The transition would be scheduled to be completed such that the RFP issued 23 months later on September 1, 2013 would seek bids for 100% of load requirements for each of the small, medium and large customer groups for six-month contract periods of December 1, 2013 through May 31, 2014.

The filing raises, inter alia, issues related to whether the proposed changes to UES's procurement processes for default service are consistent with the restructuring principles of RSA 374-F:3 and are in the public interest; and whether the proposal is consistent with the development of the competitive market. Each party has the right to have an attorney represent the party at the party's own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Hearing, pursuant to N.H. Code Admin. Rules Puc 203, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on July 17, 2012 at 1:30 p.m.; and it is


FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.12, UES shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of

Notice no later than July 6, 2012, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before July 17, 2012; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to UES and the Office of the Consumer Advocate on or before July 12, 2012, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Code Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before July 17, 2012.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of June, 2012.


Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.