

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

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New Hampshire Public Utilities Commission

Docket No. DE 16-250

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF TESTIMONY	2
III.	SOLICITATION PROCESS	4
IV.	RENEWABLE PORTFOLIO STANDARD COMPLIANCE	8
VII.	CONCLUSION.....	9

LIST OF SCHEDULES

Schedule LSG-1: Bid Evaluation Report

Schedule LSG-2: Request for Proposals

Schedule LSG-3: Customer Migration Report

Schedule LSG-4: RPS Compliance Cost Estimates

Schedule LSG-5: Historical Pricing by Customer Group

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Lisa S. Glover. My business address is 6 Liberty Lane West, Hampton, NH 03842.

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

A. I am employed by Unitil Service Corp. ("USC") as an 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 received my Bachelor of Science degree in Environmental Science from the University of Massachusetts and a Master of Public Administration degree at Norwich University. Before joining Unitil, I worked as an Energy Analyst with the MA Division of Energy Resources. I joined USC in February 2003 as an Energy Efficiency Program Analyst with Business Services and then joined Energy Contracts in May 2014. I have primary responsibilities in the areas of electric market operation and data reporting, default service administration and budgeting. Additionally, I manage the Renewable Energy Credit procurement process as well as being responsible for Renewable Portfolio Standard compliance for Unitil.

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

1 A. Yes. I have testified before the Commission, most recently in UES's Stranded Cost
2 Recovery and External Delivery Charge Reconciliation and Rate Filing, Docket No.
3 DE 16-668 and UES's Default Service Solicitation proceeding, Docket No. DE 16-
4 250.

5 **II. PURPOSE OF TESTIMONY**

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

7 A. This testimony documents the solicitation process followed by UES in its acquisition
8 of Default Service power supplies ("DS") for its G1 and Non-G1 customers as
9 approved by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order")
10 granting UES's Petition for Approval of Revisions to its Default Service Solicitation
11 Process for G1 and Non-G1 Customers. With the current Request for Proposal
12 ("RFP"), UES has contracted for a six-month default service power supply for 100%
13 of its small customer group (Non-G1); 100% of its medium customer group (Non-G1);
14 and 100% of its large customer group (G1) service requirements. Service begins on
15 December 1, 2016.

16 **Q. Please describe the documents provided with this filing.**

17 Supporting documentation and additional detail of the solicitation process is provided
18 in the Bid Evaluation Report ("Report"), attached as Schedule LSG-1. The structure,
19 timing and requirements associated with the solicitation are fully described in the RFP
20 issued on August 30, 2016 and is attached as Schedule LSG-2. An updated Customer
21 Migration Report is attached as Schedule LSG-3. The Customer Migration Report

1 shows monthly retail sales and customer counts supplied by competitive generation,
2 total retail sales and customer counts (the sum of default service and competitive
3 generation) and the percentage of sales and customers supplied by competitive
4 generation. The report provides a rolling 13-month history which covers the period
5 from August 2015 through August 2016. Renewable Portfolio Standard ("RPS")
6 Compliance Cost Estimates are included as Schedule LSG-4. My testimony reviews
7 UES's approach to compliance with the RPS which went into effect in January 2008.
8 Schedule LSG-4 details projected obligations and price assumptions for the coming
9 rate period. The price assumptions are based on recent market data information and
10 alternative compliance payment prices. Lastly, Schedule LSG-5 provides historical
11 price data by customer group that is no longer subject to confidential treatment. This
12 schedule provides pricing histories associated with the most recent three-month rate
13 periods for G1 customers or six-month rate periods for Non-G1 customers for which
14 all pricing is currently subject to the Federal Energy Regulatory Commission's
15 quarterly reporting requirements.

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

17 A. UES requests that the Commission:

- 18 • Find that: UES has followed the solicitation process approved by the Commission;
19 UES's analysis of the bids submitted was reasonable; and UES has supplied a
20 reasonable rationale for its choice of the winning suppliers.

- 1 • Find that: the price estimates of renewable energy certificates (“RECs”) proposed
2 by UES, based on actual purchases or current market prices and information, are
3 appropriate for inclusion in retail rates.
- 4 • On the basis of these findings, conclude that the power supply costs resulting from
5 the solicitation are reasonable and that the amounts payable to the sellers under the
6 supply agreements are approved for inclusion in retail rates.
- 7 • Issue an order granting the approvals requested herein on or before October 7,
8 2016, which is five (5) business days after the date of this filing.

9 **III. SOLICITATION PROCESS**

10 **Q. Please discuss the Solicitation Process UES employed to secure the supply**
11 **agreements for default service power supplies.**

12 A. UES conducted an open solicitation in which it actively sought interest among
13 potential suppliers to provide load-following power supply to its Default Service
14 customers. UES provided bidders with access to information on its RFP website to
15 enable them to assess the risks and obligations associated with providing supply
16 services. UES did not discriminate in favor of or against any individual potential
17 supplier who expressed interest in the solicitation. UES negotiated with all potential
18 suppliers who submitted proposals to obtain the most favorable terms from each
19 potential supplier. The structure, timing and requirements associated with the
20 solicitation are fully described in the RFP issued on August 30, 2016. This is attached

1 as Schedule LSG-2 and is summarized in the Bid Evaluation Report attached as
2 Schedule LSG-1.

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

4 A. UES announced the electronic availability of the RFP to all participants in NEPOOL
5 by notifying all members of the NEPOOL Markets Committee and the NEPOOL
6 Participants Committee via email. UES also announced the issuance of the RFP via
7 email to a list of power suppliers and other entities such as distribution companies,
8 consultants, brokers and members of public agencies who have previously expressed
9 interest in receiving copies of UES's solicitations. UES followed up the email by
10 contacting power suppliers to solicit their interest. In addition, UES issued a media
11 advisory to a number of power markets publications announcing the issuance of the
12 RFP.

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

14 A. The RFP provides background information and historical data, details the service
15 requirements and commercial terms, explains the process for selecting the winning
16 bidders. To gain the greatest level of market interest in supplying the load, UES
17 provided potential bidders with appropriate and accessible information. Data provided
18 included historical hourly default service loads and daily capacity tags for each
19 customer group; class average load shapes; historical monthly retail sales and
20 customer counts by rate class and supply type; and the evaluation loads, which are the
21 estimated monthly volumes that UES would use to weigh bids in terms of price. The

1 retail sales report and the historical loads and capacity tag values were updated prior to
2 final bidding to provide the latest information available. All documents and data files
3 were provided to potential suppliers via UES's corporate website (www.unitil.net/rfp).

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

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

11 UES selected NextEra Energy Power Marketing, LLC ("NextEra") as the winning
12 bidder of the small customer (Non-G1) supply requirement (100% share) and NextEra
13 Energy Power Marketing, LLC ("NextEra") as the winning bidder of the medium
14 customer (Non-G1) supply requirement (100% share). Exelon Generation Company,
15 LLC ("Exelon") was selected as the supplier of the large customer (G1) supply
16 requirement (100% share). All three transactions are for a period of six months. UES
17 believes that NextEra and Exelon offered the best overall value in terms of both price
18 and non-price considerations for the supply requirements sought.

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

20 A. Schedule LSG-1 contains the Bid Evaluation Report which further details the
21 solicitation process, the evaluation of bids, and the selection of the winning bidders.

1 The Report contains a narrative discussion of the solicitation process. Additional
2 discussion regarding the selection of the winning bidders is provided along with
3 several supporting exhibits that list the suppliers who participated, as well as the
4 pricing they submitted and other information considered by UES in evaluating final
5 proposals, including redlined versions of the final supply agreements.

6 On the basis of the information and analysis contained in the Bid Evaluation Report,
7 UES submits that it has complied with the Commission's requirements, and that the
8 resulting default service power supply costs are reasonable and that the amounts
9 payable to the sellers under the supply agreements should be approved for inclusion in
10 retail rates.

11 **Q. Please elaborate on the supplier response to this solicitation.**

12 A. The response to this solicitation was positive in that UES received a number of
13 competitive bids from suppliers who sought to serve load to its Small and Medium
14 customers. As has been the case recently, the number of suppliers who bid for the
15 Large Load continues to be limited. UES followed up with a supplier who has
16 typically bid on this load before and they indicated that the UES load no longer fit into
17 their risk profile. UES will continue to reach out to potential bidders early on in the
18 process in order to gauge responsiveness in the market. In the event of a failed
19 solicitation, UES has a contingency plan¹ in place that outlines steps it can take to
20 provide service to its customers. See Attachment 1 to this testimony.

¹ Contingency Plan for Default Service was filed as Exhibit No. 5 in NH P.U.C. Case No. DE 14-061.

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, 2017.
6 UES plans to issue an RFP for these supplies on March 7, 2017, with a filing for
7 approval of solicitation results planned for April 7, 2017 and approval anticipated by
8 April 14, 2017.

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 projected REC
14 obligations. In addition, UES may make REC purchases outside of the RFP process
15 when it finds it advantageous to do so. For 2016 RPS compliance, UES issued a REC
16 RFP in May 2016 and has also made some purchases outside of the REC RFP process.
17 Tab A includes an exhibit summarizing UES's REC purchases for RPS compliance.
18 UES anticipates issuing another REC RFP in Quarter 4 of 2016.

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, 2016. Schedule LSG-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 1, 2016. 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 2016 and 2017.

Q. Does UES's estimate of RPS costs incorporate the latest RPS requirements for 2016 and 2017?

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

NH Renewable Portfolio Standards: 2016-2017					
Calendar Year	Class I*	Class I Thermal	Class II	Class III	Class IV
2016	6.90%	1.30%	0.30%	0.50%	1.50%
2017	7.80%	1.40%	0.30%	8.00%	1.50%
*Class I is the gross requirement. The Class I requirement less the Class I Thermal Carve-Out requirement is 5.60% for 2016 and 6.40% for 2017.					

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

VII. CONCLUSION

Q. Does this conclude your testimony?

A. Yes.