

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF**

**JEFFREY M. PENTZ**

**New Hampshire Public Utilities Commission**

**Docket No. DE 19-049**

**April 5, 2019**

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## LIST OF SCHEDULES

- Schedule JMP-1: Bid Evaluation Report**
- Schedule JMP-2: Request for Proposals**
- Schedule JMP-3: Customer Migration Report**
- Schedule JMP-4: RPS Compliance Cost Estimates**
- Schedule JMP-5: Historical Pricing by Customer Group**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Jeffrey M. Pentz. My business address is 6 Liberty Lane West, Hampton,  
4 NH 03842.

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

6 A. I am employed by Unitil Service Corp. (“USC”) as a Senior Energy Analyst. USC  
7 provides management and administrative services to Unitil Energy Systems, Inc.  
8 (“UES”) and Unitil Power Corp. (“UPC”).

9 **Q. Please briefly describe your educational and business experience.**

10 A. I received my Bachelor of Arts degree in Economics from the University of  
11 Massachusetts. Before joining Unitil I worked as a Contracting and Transaction  
12 Analyst with Mint Energy, a retail electric supplier. My range of responsibilities  
13 included contract negotiation with brokers and customers, retail billing, and sales.  
14 Prior to Mint Energy, I worked as a data analyst for Energy Services Group. My  
15 responsibilities included supplier business transaction testing and integration with  
16 regulated utilities. I joined USC in February 2016 as an Energy Analyst with the  
17 Energy Contracts department. In January 2019 I was promoted to my current position  
18 as Senior Energy Analyst. I have primary responsibilities in the areas of load  
19 settlement, renewable energy credit procurement, renewable portfolio standard  
20 compliance, default service procurement, market research and operations, and  
21 monitoring renewable energy policy.

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

3 A. No.

4 **II. PURPOSE OF TESTIMONY**

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

6 A. This testimony documents the solicitation process followed by UES in its acquisition  
7 of Default Service power supplies ("DS") for its G1 and Non-G1 customers as  
8 approved by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order")  
9 granting UES's Petition for Approval of Revisions to its Default Service Solicitation  
10 Process for G1 and Non-G1 Customers, and to provide an update on the status of the  
11 Company's efforts to comply with SB 365 / RSA 362-H:2. With the current Request  
12 for Proposal ("RFP"), UES has contracted for a six-month default service power  
13 supply for 100% of its small customer group (Non-G1); 100% of its medium customer  
14 group (Non-G1); and 100% of its large customer group (G1) service requirements.  
15 Service begins on June 1, 2019.

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 JMP-1. The structure,  
19 timing and requirements associated with the solicitation are fully described in the RFP  
20 issued on March 5, 2019 and is attached as Schedule JMP-2. An updated Customer  
21 Migration Report is attached as Schedule JMP-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 February 2018 through February 2019. Renewable Portfolio Standard ("RPS")  
6 Compliance Cost Estimates are included as Schedule JMP-4. My testimony reviews  
7 UES's approach to compliance with the RPS which went into effect in January 2008.  
8 Schedule JMP-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 JMP-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 six-month rate  
13 periods for Non-G1 and G1 customers for which all pricing is currently subject to the  
14 Federal Energy Regulatory Commission's quarterly reporting requirements.

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

16 A. UES requests that the Commission:

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

- 1       • Find that: the price estimates of renewable energy certificates (“RECs”) proposed
- 2             by UES, which are based on actual purchases or current market prices and
- 3             information, are 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 April 12, 2019,
- 8             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 appropriate information to enable them to

15 assess the risks and obligations associated with providing supply services. UES did

16 not discriminate in favor of or against any individual potential supplier who expressed

17 interest in the solicitation. UES negotiated with all potential suppliers who submitted

18 proposals to obtain the most favorable terms from each potential supplier. The

19 structure, timing and requirements associated with the solicitation are fully described

20 in the RFP issued on March 5, 2019. This is attached as Schedule JMP-2 and is

21 summarized in the Bid Evaluation Report attached as Schedule JMP-1.

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

2 A. UES announced the electronic availability of the RFP to a list of power suppliers and  
3 brokers. The RFP was also distributed to all members of the NEPOOL Markets  
4 Committee and Participants Committee. As a result, the RFP had wide distribution  
5 throughout the New England supply marketplace, including distribution companies,  
6 consultants, and members of public agencies. UES followed up the E-mail solicitation  
7 with outreach to power suppliers to solicit their interest in bidding on any and all  
8 customer classes.

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

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

20 **Q. Has the Company complied with the requirements of RSA 362-H:2,I to “solicit**  
21 **proposals . . . from eligible facilities”?**

1 A. Yes, a solicitation was sent to Wheelabrator Technologies, Inc. on March 5, 2019,  
2 prior to the Company's issuance of its default service solicitation.

3 **Q. Have Wheelabrator and the Company reached an agreement for the purchase of**  
4 **the net energy output from Wheelabrator's eligible generating facility?**

5 A. No, although discussions between the Company and Wheelabrator are ongoing.

6 **Q. If an agreement is reached between the Company and Wheelabrator, will it be**  
7 **filed in this docket for review by the Commission for conformity with RSA 362-**  
8 **H:2, III and IV?**

9 A. Yes, if an agreement is reached, the Company will alert the Commission Staff and  
10 Consumer Advocate, and file it with the Commission.

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

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

19 **Q. How did market conditions impact the prices for this next period?**



1 A. Overall, pricing submitted for the Small and Medium classes (Non-G1) for the  
2 upcoming period from June 1, 2019 – November 30, 2019 is 3% lower than the same  
3 period a year ago and 32% lower than the previous 6-month period from December 1,  
4 2018 to May 31, 2019. Pricing for the large customer class (G1) adder is 25% lower  
5 than the previous 6-month period and 19% lower than the same period a year ago. Bid  
6 prices for the upcoming service period reflect a smaller proportion of non-energy costs  
7 related to a decrease in capacity prices brought on by new, low cost generation  
8 clearing the forward capacity auction. Capacity auction clearing prices first spiked in  
9 June 2017 at \$7.03/KW-month for FCA 8 and then again in June 2018 for FCA 9 at  
10 \$9.55/KW-month. Capacity clearing prices will decrease in June 2019 for FCA 10  
11 down to \$7.03/KW/month. Considering these market conditions, the company  
12 determined that the pricing submitted was fair and competitive.

13 **Q. Please summarize the winning bidders for each customer supply requirement.**

14 A. UES selected Exelon Generation Company, LLC (“Exelon”) as the winning bidder for  
15 the small customer (Non-G1) supply requirement (100% share), Nextera Energy  
16 Marketing, LLC (“Nextera”) as the winning bidder of the medium customer (Non-G1)  
17 supply requirement (100% share), and Dynegy Marketing and Trade, LLC (“Dynegy”) for  
18 the large customer (G1) supply requirement (100% share). All three transactions  
19 are for a period of six months. UES believes that Exelon, Nextera, and Dynegy offered  
20 the best overall value in terms of both price and non-price considerations for the  
21 supply requirements sought.

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

2    A.    Schedule JMP-1 contains the Bid Evaluation Report which further details the  
3           solicitation process, the evaluation of bids, and the selection of the winning bidders.  
4           The Report contains a narrative discussion of the solicitation process. Additional  
5           discussion regarding the selection of the winning bidders is provided along with  
6           several supporting exhibits that list the suppliers who participated, as well as the  
7           pricing they submitted and other information considered by UES in evaluating final  
8           proposals, including redlined versions of the final supply agreements.

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

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

15    A.    UES followed up with a number of suppliers early in the process to solicit and gauge  
16          supplier interest. Bidder response for this solicitation was similar to the prior  
17          solicitation. There was one supplier who has participated in recent solicitations that  
18          has temporarily withdrawn participation from load auctions due to wholesale market  
19          financial risks in ISO-NE. The response from suppliers bidding an add-on charge for  
20          the G-1 large load continues to be limited, but did increase due to the participation of a  
21          new bidder. Feedback from some bidders is the large load class is too small to serve.

1           Additionally, large customer migration to a third party supplier is a concern for some  
2           bidders. Alternatively, as a result of bidder outreach, a new wholesale supplier  
3           participated in this solicitation and successfully submitted bids for all three customer  
4           load assets. The Company did receive significant interest from several suppliers, some  
5           existing and others new, who expressed interest in participating in future solicitations.  
6           The Company will continue to reach out to suppliers to encourage their participation  
7           in its solicitation process.

8   **Q.    Please indicate the planned issuance date, filing date and expected approval date**  
9   **associated with UES's next default service solicitation.**

10  A.    Similar to the current solicitation, UES's next default service solicitation will be for  
11    one hundred percent (100%) of the small, medium and large customer supply  
12    requirements for a six-month period. Delivery of supplies will begin on December 1,  
13    2019. UES plans to issue an RFP for these supplies on August 27, 2019, with a filing  
14    for approval of solicitation results planned for September 27, 2019 and approval  
15    anticipated by October 4, 2019.

16  **IV.   RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

17  **Q.    Please explain how UES is complying with the Renewable Portfolio Standard**  
18  **requirements.**

19  A.    In accordance with the settlement agreement dated July 16, 2009 (DE. 09-009) and as  
20    amended on December 6, 2011, UES will conduct two REC RFPs during each  
21    compliance year to obtain Existing RECs and/or Forward RECs to meet 100% of its

1 projected REC obligations. In addition, UES may make REC purchases outside of the  
 2 RFP process when it finds it advantageous to do so. To meet its 2019 RPS  
 3 compliance requirements, UES issued an RFP in January 2019 for approximately half  
 4 of its 2019 RPS requirements. UES also made additional REC purchases outside of the  
 5 RFP process. Tab A includes an exhibit summarizing UES’s REC purchases for RPS  
 6 compliance.

7 **Q. Please describe UES’s estimates of RPS compliance costs.**

8 A. The current solicitation is for default service power supplies to be delivered beginning  
 9 June 1, 2019. Schedule JMP-4 lists the percentage of sales and the resulting REC  
 10 requirement for each class of RECs for RPS compliance along with UES’s cost  
 11 estimates for the period beginning June 1, 2019. UES’s cost estimates are based on  
 12 current market prices as communicated by brokers of renewable products, recent  
 13 purchases of RECs, and alternative compliance payment rates.

14 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**  
 15 **2018 and 2019?**

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

<b>NH Renewable Portfolio Standards: 2019</b>					
<b>Calendar Year</b>	<b>Class I *</b>	<b>Class I Thermal</b>	<b>Class II</b>	<b>Class III</b>	<b>Class IV</b>
2019	9.60%	1.4%	0.6%	8.00%	1.5%
*Class I is the gross requirement which includes Class I Thermal. The net Class I requirement less the Class I Thermal Carve-Out requirement for 2019 is 8.2%.					

1           Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS  
2           requirements shown here.

3   **VII. CONCLUSION**

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

5   A.   Yes.

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