

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

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New Hampshire Public Utilities Commission

Docket No. DE 19-049

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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. Yes, I have testified before the Commission in the most recent Default Service
4 Solicitation proceeding.

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, and to provide an update on the status of the
12 Company's efforts to comply with SB 365 / RSA 362-H:2. With the current Request
13 for Proposal ("RFP"), UES has contracted for a six-month default service power
14 supply for 100% of its small customer group (Non-G1); 100% of its medium customer
15 group (Non-G1); and 100% of its large customer group (G1) service requirements.
16 Service begins on December 1, 2019.

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

18 Supporting documentation and additional detail of the solicitation process is provided
19 in the Bid Evaluation Report ("Report"), attached as Schedule JMP-1. The structure,
20 timing and requirements associated with the solicitation are fully described in the RFP
21 issued on August 30, 2019 and is attached as Schedule JMP-2. An updated Customer

1 Migration Report is attached as Schedule JMP-3. The Customer Migration Report
2 shows monthly retail sales and customer counts supplied by competitive generation,
3 total retail sales and customer counts (the sum of default service and competitive
4 generation) and the percentage of sales and customers supplied by competitive
5 generation. The report provides a rolling 13-month history which covers the period
6 from August 2018 through August 2019. Renewable Portfolio Standard ("RPS")
7 Compliance Cost Estimates are included as Schedule JMP-4. My testimony reviews
8 UES's approach to compliance with the RPS which went into effect in January 2008.
9 Schedule JMP-4 details projected obligations and price assumptions for the coming
10 rate period. The price assumptions are based on recent market data information and
11 alternative compliance payment prices. Lastly, Schedule JMP-5 provides historical
12 price data by customer group that is no longer subject to confidential treatment. This
13 schedule provides pricing histories associated with the most recent six-month rate
14 periods for Non-G1 and G1 customers for which all pricing is currently subject to the
15 Federal Energy Regulatory Commission's 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, 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 October 4,
8 2019, 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 August 30, 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 August 29, 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.

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

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

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

15 A. Overall, pricing submitted for the Small and Medium classes (Non-G1) for the
16 upcoming period from December 1, 2019 – May 31, 2020 is 15% lower than the same
17 period a year ago and 28% higher than the previous 6-month period from June 1, 2019
18 to November 30, 2019. Pricing for the large customer class (G1) adder is 15% higher
19 than the previous 6-month period and 14% lower than the same period a year ago.
20 Lower natural gas prices along with the continued decrease in capacity prices have
21 resulted in significant cost decreases when compared to the same period a year ago.

1 Capacity auction clearing prices first spiked in June 2017 at \$7.03/KW-month for
2 FCA 8 and then again in June 2018 for FCA 9 at \$9.55/KW-month. Capacity clearing
3 prices decreased in June 2019 for FCA 10 down to \$7.03/KW/month. Capacity prices
4 will decrease further in June 2020 as a result of FCA 11 down to \$5.30/KW/month.
5 Considering these market conditions, the company determined that the pricing
6 submitted was fair and competitive.

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

8 A. UES selected NextEra Energy Marketing, LLC (“NextEra”) as the winning bidder for
9 the small customer (Non-G1) supply requirement (100% share), the medium customer
10 (Non-G1) supply requirement (100% share), and the large customer (G1) supply
11 requirement (100% share). All three transactions are for a period of six months. UES
12 believes that NextEra, offers the best overall value in terms of both price and non-
13 price considerations for the supply requirements sought.

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

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

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

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

7 A. UES followed up with a number of suppliers early in the process to solicit and gauge
8 supplier interest. Bidder response for this solicitation increased when compared to the
9 prior solicitation. There was one supplier who had temporarily withdrawn from
10 participating in recent solicitations, but did participate in the current solicitation. The
11 response from suppliers bidding an add-on charge for the G-1 large load continues to
12 be limited, however participation levels remained the same when compared to the
13 previous solicitation. Feedback from some bidders is the large load class is too small
14 to serve. Additionally, large customer migration to a third party supplier is a concern
15 for some bidders. The Company did receive significant interest from a few suppliers,
16 some existing and others new, who expressed interest in participating in future
17 solicitations. The Company will continue to reach out to suppliers to encourage their
18 participation in its solicitation process.

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

1 A. Similar to the current solicitation, UES's next default service solicitation will be for
2 one hundred percent (100%) of the small, medium and large customer supply
3 requirements for a six-month period. Delivery of supplies will begin on June 1, 2020.
4 UES plans to issue an RFP for these supplies on March 3, 2020, with a filing for
5 approval of solicitation results planned for March 27, 2020 and approval anticipated
6 by April 3, 2020.

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 (DE. 09-009) and as
11 amended on December 6, 2011, UES will conduct two REC RFPs during each
12 compliance year to obtain Existing RECs and/or Forward RECs to meet 100% of its
13 projected REC obligations. In addition, UES may make REC purchases outside of the
14 RFP process when it finds it advantageous to do so. To meet its 2019 RPS
15 compliance requirements, UES issued an RFP in January 2019 for approximately half
16 of its 2019 RPS requirements. UES plans on issuing a second RFP in October 2019 for
17 the remainder of 2019 RPS requirements and half of its 2020 requirements. UES also
18 made additional REC purchases outside of the RFP process. Tab A includes an exhibit
19 summarizing UES's REC purchases for RPS compliance.

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

1 A. The current solicitation is for default service power supplies to be delivered beginning
 2 December, 2019. Schedule JMP-4 lists the percentage of sales and the resulting REC
 3 requirement for each class of RECs for RPS compliance along with UES’s cost
 4 estimates for the period beginning December, 2019. UES’s cost estimates are based on
 5 current market prices as communicated by brokers of renewable products, recent
 6 purchases of RECs, and alternative compliance payment rates. RPS compliance costs
 7 for 2019 and 2020 will increase as a result of tightening supply in the regional New
 8 England Class I REC market. Additionally, New Hampshire Class III Biomass RECs
 9 pricing has increased due to tightening supply and eligible generation facilities
 10 shuttering.

11 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**
 12 **2019 and 2020?**

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

14

15 **NH Renewable Portfolio Standards: 2019**

Calendar Year	Class I *	Class I Thermal	Class II	Class III	Class IV
2019	9.60%	1.4%	0.6%	8.00%	1.5%
2020	10.50%	1.6%	0.7%	8.00%	1.5%

16

17

*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%.

18 Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS
 19 requirements shown here.

1 VII. CONCLUSION

2 Q. Does this conclude your testimony?

3 A. Yes.

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