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7	Joint Testimony of Jeffrey M. Pentz and Linda S. McNamara	<i>premarked</i>
8	Attachment JMP/LSM-2, Market Tranche Price Estimate	<i>premarked</i>
9	Attachment JMP/LSM-3, Total Power Supply Price Estimate	<i>premarked</i>
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P R O C E E D I N G

1
2 CHAIRMAN GOLDNER: Okay. Good morning.
3 I'm Chairman Goldner. I'm joined today by
4 Commissioner Simpson and Commissioner
5 Chattopadhyay.

6 This is the hearing on the Unitil
7 proposal for an updated procurement approach for
8 Default Energy Service presented in its
9 January 22nd, 2024, filing, and held pursuant to
10 the Commission's Supplemental Order of Notice
11 issued on February 8th, 2024. The Company filed
12 its affidavit of publication on February 16th.

13 As requested by the Commission, the New
14 Hampshire Department of Energy, through its
15 analyst, Mr. Eckberg, filed its Statement of
16 Position on Unitil's proposal on March 7th, 2024.

17 We also note the February 20th
18 Community Power Coalition of New Hampshire, a
19 Motion for Intervention, for which there were no
20 objections filed.

21 As a housekeeping issue, we note that
22 the exhibit list from the last Default Service
23 hearing has a reservation for Hearing Exhibit 7,
24 which would have been a lead/lag study filing

1 made by the DOE, when available.

2 As this material has not yet come in,
3 the Commission would suggest that we follow the
4 numbering scheme presented by Unitil in its
5 proposed and assented to Exhibit List, which
6 presents Mr. Pentz's and Ms. McNamara's January
7 22nd testimony for the Company as Hearing
8 "Exhibit 7"; a data table, JMP/LSM-2, as Hearing
9 "Exhibit 8"; and a data table, JMP/LSM-3, as
10 Hearing "Exhibit 9".

11 We would still reserve Hearing
12 "Exhibit 10" for the future lead/lag study, if
13 the DOE and other parties still find that
14 appropriate.

15 Okay. We'll now take appearances,
16 starting with Unitil.

17 MR. TAYLOR: Good morning,
18 Commissioners. Patrick Taylor, on behalf of
19 Unitil Energy Systems, Inc. And with me today,
20 as witnesses, as a panel, are Jeffrey M. Pentz
21 and Linda S. McNamara.

22 CHAIRMAN GOLDNER: Very good. And the
23 Office of the Consumer Advocate?

24 MR. CROUSE: Good morning,

1 Commissioners. My name is Michael Crouse, Staff
2 Attorney for the OCA, representing residential
3 customers in this matter.

4 CHAIRMAN GOLDNER: Okay. Very good.
5 The New Hampshire Department of Energy?

6 MR. YOUNG: Matthew Young, on behalf of
7 the Department of Energy. And with me today is
8 Stephen Eckberg, who is a Utility Analyst in the
9 Electric Division.

10 CHAIRMAN GOLDNER: Okay. Is there
11 anyone else here today, CPCNH or anyone else?

12 *[No indication given.]*

13 CHAIRMAN GOLDNER: Everyone else is
14 Unitil, Mr. Taylor?

15 MR. TAYLOR: Yes. These are my
16 colleagues, and they are not here as witnesses,
17 but --

18 CHAIRMAN GOLDNER: Just wanted to make
19 sure that I knew everyone in the room. Okay.
20 Very good.

21 Okay. So, let's now proceed with the
22 Company's case presentation by its witnesses,
23 Mr. Pentz and Ms. McNamara on the stand.
24 Following direct questioning by Unitil, cross by

[WITNESS PANEL: McNamara|Pentz]

1 the OCA and the New Hampshire Department of
2 Energy, and Commissioner questions and Unitil
3 redirect, we'll give the parties an opportunity
4 to make a closing statement on the record.

5 Are there any other matters requiring
6 our attention today?

7 MR. TAYLOR: Not from Unitil.

8 CHAIRMAN GOLDNER: All right. Seeing
9 none. Mr. Patnaude, if you could please swear in
10 the witnesses.

11 *(Whereupon **LINDA S. McNAMARA** and*
12 ***JEFFREY M. PENTZ** were duly sworn by*
13 *the Court Reporter.)*

14 CHAIRMAN GOLDNER: Attorney Taylor --
15 I'm sorry. Attorney Taylor, please proceed with
16 direct.

17 MR. TAYLOR: Thank you.

18 **LINDA S. McNAMARA, SWORN**

19 **JEFFREY M. PENTZ, SWORN**

20 **DIRECT EXAMINATION**

21 BY MR. TAYLOR:

22 Q And I'm going to start with Ms. McNamara. Can
23 you please state your name, employer, the
24 position that you hold with the Company, and your

[WITNESS PANEL: McNamara|Pentz]

1 responsibilities in that position?

2 A (McNamara) Good morning. My name is Linda
3 McNamara. I'm a Senior Regulatory Analyst for
4 Unitol Service Corp. Part of my responsibilities
5 is the preparation of the Default Service Charge
6 filings.

7 Q Ms. McNamara, Hearing Exhibit 7 is a copy of your
8 testimony with Mr. Pentz in this matter, dated
9 "January 22nd, 2024", and labeled "Exhibit
10 JMP/LSM-1". Hearing Exhibits 8 and 9 are
11 attachments to your prefiled testimony, and
12 labeled "Exhibit JMP/LSM-2" and "Exhibit
13 JMP/LSM-3", respectively. Were your prefiled
14 testimony and the supporting exhibits prepared by
15 you or under your direction?

16 A (McNamara) Yes.

17 Q Do you have any corrections to the testimony or
18 supporting exhibits that you wish to make on the
19 stand today?

20 A (McNamara) I do not.

21 Q Do you adopt your written testimony and
22 supporting exhibits as your sworn testimony in
23 this case?

24 A (McNamara) Yes.

[WITNESS PANEL: McNamara|Pentz]

1 Q Thank you. Mr. Pentz, can you please state your
2 name, employer, the position that you hold with
3 the Company, and your responsibilities in that
4 position?

5 A (Pentz) My name is Jeffrey Pentz, working for
6 Unitil. And I'm the Supervisor of Energy Supply,
7 where I'm primarily responsible for Default
8 Service procurement, among many other
9 responsibilities, such as REC procurement, load
10 settlement, and supplier services.

11 Q Thank you. As I explained to Ms. McNamara,
12 Hearing Exhibit 7 is a copy of your testimony in
13 this matter, dated January 22nd, 2024. Hearing
14 Exhibits 8 and 9 are attachments to your prefiled
15 testimony, labeled "Exhibits JMP/LSM-2" and
16 "JMP/LSM-3", respectively. Were your prefiled
17 testimony and the supporting exhibits prepared by
18 you or under your direction?

19 A (Pentz) Yes.

20 Q Do you have any corrections to the testimony or
21 supporting exhibits that you'd like to make on
22 the stand today?

23 A (Pentz) I do not.

24 Q And do you adopt your written testimony and

[WITNESS PANEL: McNamara|Pentz]

1 supporting exhibits as your sworn testimony in
2 this case?

3 A (Pentz) Yes.

4 MR. TAYLOR: I have no further
5 questions for the witnesses.

6 CHAIRMAN GOLDNER: Thank you. We'll
7 turn now to the Office of the Consumer Advocate.

8 MR. CROUSE: Thank you. I just have a
9 couple simple clarification questions. I don't
10 mind if either one of you answers, or if you feel
11 the need to supplement the other, that's
12 perfectly fine.

13 **CROSS-EXAMINATION**

14 BY MR. CROUSE:

15 Q Very generally, I'm looking at your prefiled
16 testimony. I have it on Page 6 of 8 and 7 of 8
17 for the Bates numbers, but *pdf* Page 8 and 9.

18 The Company represents that you're not
19 expecting to have a significant impact via the
20 reconciliation on future rates, since only 10
21 percent of the load is being served. Is that
22 correct?

23 A (Pentz) That's correct.

24 Q All right. Just with that in mind, I'm just

[WITNESS PANEL: McNamara|Pentz]

1 trying to better understand how the
2 reconciliation works in this situation. On Bates
3 Page 7 of 8, it's represented that any variation
4 between actual market costs and estimated market
5 costs would pass through to customers. Is that
6 correct?

7 A (McNamara) Yes.

8 Q Thank you. With respect to the -- I'm just going
9 to say the word "forecast", but the estimated
10 costs that you all are looking at, is the Company
11 intending to take any risk based off of any
12 egregious errors in that estimated cost, in terms
13 of rate shock that might pass to customers in
14 that reconciliation, should there be an egregious
15 error that takes place?

16 A (Pentz) I apologize, I guess I would need
17 clarification on an "egregious error"?

18 Q Yes.

19 A (Pentz) Would that be a result of a price shock
20 in the market or an error -- an actual error in
21 the estimate?

22 Q I suppose, in this instance, for either one.
23 But, just for the sake of being straightforward,
24 I am expecting that the cost of administering any

[WITNESS PANEL: McNamara|Pentz]

1 of these estimated costs versus actual costs to
2 also pass through to customers. And, so, I'm
3 just thinking that, if there is a significant
4 variation between what Unitil estimates the costs
5 to be, versus what they actually are. I'm not
6 trying to set up a false precision, every
7 estimate is going to have some variance in it.
8 But, if all costs are passing through to
9 customers, regardless of the quality of the
10 estimate, that's just the concern our Office has.

11 A (Pentz) Thank you. I understand the question
12 now.

13 And, any, as presented in the proposal,
14 any variance between the underlying costs and
15 what we estimated, whether it's additional costs
16 or money that's being sent back would be included
17 in a future period.

18 Q Thank you for the clarification. With respect to
19 that same section, your testimony describes that
20 there would be an "annual reconciliation", or
21 then it would be "allocated over the next two
22 six-month periods". Is that going to be -- is
23 that allocation going to be determined as a
24 50 percent split between those two next periods,

[WITNESS PANEL: McNamara|Pentz]

1 or is it sort of an "as needed" or some other
2 allocation method?

3 A (McNamara) The reconciliation will be exactly as
4 it is today. The Company currently takes its
5 April 30th balance, actual balance, and adjusts
6 that modestly, I guess I'll say, because the rate
7 period doesn't actually begin until August 1st.
8 So, there is, you know, some built-in
9 over-/under-collection that we still expect,
10 regardless of costs, if costs stopped on that
11 day, there would still be a reconciliation that
12 would take place over those remaining months.

13 But, for sake of just making this easy,
14 we take that balance, and it is allocated between
15 the two rate periods, meaning August 1 and
16 February 1 rate periods, and then between the two
17 classes, the Residential and then the Medium
18 class, based on kilowatt-hours estimated
19 purchases.

20 MR. CROUSE: All right. Thank you very
21 much for your answers. Those are the questions
22 that I have.

23 CHAIRMAN GOLDNER: Thank you. We'll
24 turn now to the New Hampshire Department of

[WITNESS PANEL: McNamara|Pentz]

1 Energy. And, if the Department could also
2 comment on the lead/lag study, if that's still
3 planned to be submitted, and, if so, is
4 "Exhibit 10" acceptable?

5 MR. YOUNG: Sure. So, I think I'll
6 start with that.

7 So, I believe Unitil's most recent
8 lead/lag study is available in the docketbook, on
9 Tab -- I think it's Tab 8. And the Department
10 submitted I believe a technical statement in
11 December.

12 So, is the Commission looking for the
13 Department to resubmit the lead/lag study from
14 the Company or the technical statement from the
15 Department?

16 CHAIRMAN GOLDNER: So, we recorded in
17 the 12/06/23 Clerk Report that the "New Hampshire
18 Department of Energy will file a copy of the
19 lead/lag study filed on 12/05/23 to be marked as
20 "Exhibit 7"." So, it was an action from the last
21 session.

22 MR. YOUNG: Okay. Understood.

23 Okay. So, I got just a few questions.
24 I think mostly for Mr. Pentz, but either witness

[WITNESS PANEL: McNamara|Pentz]

1 is free to answer if more appropriate.

2 BY MR. YOUNG:

3 Q So, the Commission directed the Company to submit
4 a proposal for 10 to 20 percent through whatever
5 combination of Day-Ahead or Real-Time Markets.
6 And the Company is proposing to purchase 10
7 percent of load requirements through direct
8 purchases and settlement in the Real-Time Market.

9 So, I guess, first, I would just like
10 to ask if you could comment on how the Company
11 decided for 10 percent, to purchase 10 percent?

12 A (Pentz) Thank you. My answer would be, you know,
13 we would like to start out direct purchases, you
14 know, as sort of a trial period of 10 percent.
15 And, you know, we understand that we were given
16 the option to do 10 to 20. However, we, you
17 know, it was in our best interest to do the 10
18 percent, evaluate, and see what the end results
19 would be, and, you know, take it from there.

20 But we just wanted to start off with a
21 more conservative approach, as opposed to doing
22 20 percent, let's say.

23 Q Okay. And, then, similarly, it's my
24 understanding that the Company will be purchasing

[WITNESS PANEL: McNamara|Pentz]

1 through the Real-Time Market, rather than the
2 Day-Ahead Market, is that accurate?

3 A (Pentz) That's correct. And the Company,
4 historically, has not had experience in trading
5 in the Day-Ahead Market. The Day-Ahead Markets
6 do require a bit more administrative tasks, let's
7 say, where you have to create a schedule. We
8 would have to essentially hire an external vendor
9 to create a load forecast, and submit that to
10 ISO-New England. So, it would increase the
11 costs, the administrative costs on our end.

12 If you look at Real-Time versus
13 Day-Ahead pricing over the long term, it tends to
14 be a wash, where they -- generally, the variances
15 are *de minimis*. And, in the end, I'm looking at
16 a five-year history of Real-Time LMPs versus
17 Day-Ahead LMPs, and Real-Time comes out very
18 slightly cheaper, right around one percent.

19 That being said, these are small
20 amounts of load that we're directly purchasing in
21 the market, 10 percent of our load. And I
22 actually did come out with just a figure here,
23 just to keep things in perspective. You know,
24 what we'll be purchasing is around a quarter -- a

[WITNESS PANEL: McNamara|Pentz]

1 quarter of a percent of all load in New
2 Hampshire, based on my estimates, for the next
3 period. So, we're not talking about a
4 significant amount of load.

5 In that case, we may explore Day-Ahead,
6 if there were larger amounts of load, let's say.
7 But, since we're a smaller company and smaller
8 amounts of load, we're okay and comfortable with
9 the Real-Time Markets.

10 Q I think maybe I just misheard, but did you say "a
11 quarter of New Hampshire's load"?

12 A (Pentz) One quarter of one percent.

13 Q One quarter of one percent.

14 A (Pentz) Yes.

15 Q Thank you. In the testimony submitted by the
16 Company, it also states that there will be no
17 hedging strategies, the Company won't be taking
18 part in any hedging strategies. I wonder if you
19 could just explain that thought process as well?

20 A (Pentz) It's my understanding that, in the energy
21 markets, you can, for example, sign derivative
22 contracts and execute call options for energy,
23 and that's what I meant by "the Company will not
24 be taking out any hedging instruments."

[WITNESS PANEL: McNamara|Pentz]

1 This is strictly directly purchases at
2 whatever the Real-Time Locational Marginal Price
3 settles at in the markets.

4 Q And I think moving to the description of the
5 self-supply proposal in the testimony. I believe
6 it is Page 7 of 8, my apologies, the exhibit that
7 I have doesn't have Bates pages. But it's really
8 at 7 of 8 and then 8 of 8.

9 Does the Company have, I guess,
10 concerns or insight on whether this proposal, the
11 10 percent, will impact bids for the other 90
12 percent of the Default Service and supplier
13 participation?

14 A (Pentz) I don't see -- I don't see it having a
15 large, significant impact, the fact that we're
16 keeping 90 percent of the load out to bid. You
17 know, if we had done 20 percent, you know, and
18 considering load migration to community
19 aggregations, which is accelerating very fast, I
20 would -- I would say that the 10 percent piece
21 alone would not have a significant impact in
22 bidder participation. There are many other areas
23 that would, for me at least, cause concern about
24 bidder participation, not just directly

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[WITNESS PANEL: McNamara|Pentz]

1 purchasing 10 percent.

2 Q And, then, so, you mentioned "community
3 aggregation". So, if the Company's total load
4 for this customer group were to change due to
5 migration, I guess, of any nature, how might that
6 impact the 10 percent portion procured for the
7 ISO Market -- from the ISO Market?

8 A (Pentz) Right. So, the way we're configuring the
9 direct purchases with ISO is, we have two load
10 assets. One load asset is for the Residential
11 customers, and the other load asset is for Small
12 and Medium Commercial. And the way it works is,
13 10 percent of that, of any load that's settled,
14 will be settled with Unitil. And that's 10
15 percent of the total Default Service load. So,
16 that's -- if there's customer migration to
17 municipal aggregations or competitive suppliers,
18 you know, that initial number, the basic service
19 load number will go down, but it's all relative,
20 because it's just 10 percent of whatever is the
21 Default Service load.

22 So, if, you know, we lose half of our
23 load to competitive suppliers or aggregation,
24 that 10 percent, that load number will go down,

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[WITNESS PANEL: McNamara|Pentz]

1 relative to the larger number of how many
2 megawatts are on Default Service. If that makes
3 sense?

4 MR. YOUNG: It does. Thank you for
5 that description.

6 I think that was all the questions I
7 had.

8 CHAIRMAN GOLDNER: All right. Thank
9 you. So, we'll take a brief recess here, so the
10 Commissioners can confer.

11 During the break, Attorney Taylor, if I
12 could ask you that, I think we're still waiting
13 on -- the Clerks Office is still waiting on the
14 redacted versions of the June 13th and
15 December 6th transcripts. So, when we return
16 from the break, if you could please address the
17 plan with those?

18 MR. TAYLOR: I will do that.

19 CHAIRMAN GOLDNER: Thank you. Thank
20 you.

21 Okay. Let's take fifteen minutes, and
22 return at 9:35. Off the record.

23 *(Recess taken at 9:21 a.m., and the*
24 *hearing reconvened at 9:37 a.m.)*

[WITNESS PANEL: McNamara|Pentz]

1 CHAIRMAN GOLDNER: Okay. We'll go back
2 on the record.

3 And first address the redacted
4 transcript issue?

5 MR. TAYLOR: We'll take care of it.

6 CHAIRMAN GOLDNER: Okay. Thank you.

7 Okay. Very good. Let's move now to
8 Commissioner questions, beginning with
9 Commissioner Simpson.

10 CMSR. SIMPSON: Good morning.

11 WITNESS PENTZ: Good morning.

12 WITNESS McNAMARA: Good morning.

13 BY CMSR. SIMPSON:

14 Q So, just nuts-and-bolts question about setting up
15 your role with ISO-New England, what was that
16 process like? What are you registered as? Was
17 it anything new that you had to register as? Or
18 was it part of the prior responsibilities as a
19 load serving entity? Just explain that to us, if
20 you would please.

21 A (Pentz) Absolutely. So, the current process, and
22 the traditional procurements result in one
23 wholesale supplier owning 100 percent of the load
24 requirements for a six-month period, and that

[WITNESS PANEL: McNamara|Pentz]

1 load asset is assigned to whoever wins that
2 tranche.

3 And the way that will change would be,
4 in the proposal is 90 percent of that load will
5 be assigned at ISO-New England for that load
6 asset to that wholesale supplier, and 10 percent
7 will be assigned to Unitil. And those load
8 volumes of that 10 percent will settle at the
9 Real-Time price.

10 Q So, Unitil Energy Systems, what are they
11 considered within ISO-New England as? Are they a
12 "load serving entity"? Are they a "market
13 participant"? How do they classify UES in this
14 capacity of real-time purchases to serve load?

15 A (Pentz) Unitil would be classified as a
16 "supplier". Yes.

17 Q Okay. And is that a new registration for Unitil
18 or were you already registered as a "supplier"
19 before?

20 A (Pentz) So, we -- the Company has always been
21 registered as a "supplier". So that, in ISO-New
22 England, there are, I believe, six different
23 sectors. There's the "end-user" sector,
24 "supplier" sector, "transmission" sector.

[WITNESS PANEL: McNamara|Pentz]

1 So, when we talk about that
2 classification, Unitil is actually classified as
3 a "supplier", which is unique among distribution
4 utilities, because the National Grids and
5 Eversources of the world are classified as "TOs",
6 or "Transmission Owners". So, in terms of that
7 classification, Unitil was a "supplier", and will
8 always be a "supplier", because the Company
9 doesn't own any transmission.

10 I think, just to -- from what I think
11 you're asking is, in terms of the load settlement
12 and purchasing the power, that is a simple change
13 at ISO-New England, to just change whoever owns
14 the load asset, to 100 percent of the whole
15 supplier, to 90 percent. That there will be no
16 significant changes needed in that respect. It's
17 going into ISO-New England's CAMS system, and
18 assigning the proper responsibilities to Unitil
19 and the wholesale supplier.

20 Q And how much manual intervention will you be
21 doing do you expect? Are you going to be in
22 there every single day, maybe initially? Or do
23 you think it will be a long-term process? Or is
24 it, once that load is in there, you can set it

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[WITNESS PANEL: McNamara|Pentz]

1 and forget it? What does that process look like?

2 A (Pentz) What's beneficial about settling in the
3 Real-Time Markets, is it does take away a lot of
4 administrative responsibilities, especially when
5 talking about Day-Ahead purchases. The load will
6 be settled at a Real-Time price. And the Company
7 will pay for that load twice a week on its
8 ISO-New England biweekly invoices.

9 So, you know, in terms of the
10 administrative changes that will occur as a
11 result of implementing this proposal, number one,
12 we would have to increase our funding to our
13 ISO-New England account to pay for those
14 real-time charges. So, there will be slightly
15 more analysis in forecasting, as to how much
16 money we need to fund our ISO-New England
17 accounts. There will also probably need to be
18 changes to accounting, in terms of how we account
19 for these direct purchases in the market. How
20 the dollars flow through in the ISO weekly
21 invoices, we'll need to -- there will need to be
22 changes in how those charges are assigned to each
23 proper general ledger account. But those are --
24 those, I would interpret, as fairly simple

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[WITNESS PANEL: McNamara|Pentz]

1 changes.

2 And those are -- those are probably the
3 two most significant changes. And, like I was
4 mentioning before, with Day-Ahead, you know, you
5 would essentially have to send in a schedule to
6 ISO on a daily basis and forecast those volumes,
7 which the Company does not have experience with
8 that yet.

9 Q Okay. Can you share with us, to the extent that
10 you feel comfortable, the essence of the
11 conversations that you've had with ISO-New
12 England? I would presume that you've gone to
13 them to explain what we've asked you to do, as a
14 distribution utility, in order to serve your load
15 directly through the markets and the options that
16 are in front of you. Did they express concern or
17 are they supportive of it? Are they just serving
18 the -- serving you as a customer of sorts, and
19 willing to do that, happy to do that? What's
20 that dialogue and dynamic been like, interfacing
21 with ISO-New England, in order to realize this
22 proposal?

23 A (Pentz) There haven't been any discussions with
24 ISO-New England. The change that's being

[WITNESS PANEL: McNamara|Pentz]

1 proposed, to change how much energy is being
2 settled in the Real-Time Markets, is a simple
3 administrative change that you can make in
4 ISO-New England's system.

5 Q Okay.

6 A (Pentz) So, there -- in terms of consulting with
7 ISO-New England, you know, that's something that
8 isn't a required step in this process. It's
9 something that we could give them a heads-up on.
10 And, like I have mentioned, the amount of load
11 there is very *de minimus*, compared to the ISO-New
12 England system.

13 Q Sure. Okay. So, then, I'll invite and ask for
14 indulgence and a bit of speculation, to the
15 extent that you feel comfortable. You know, a
16 lot of what we all do is risk analysis, and there
17 is risk acceptance that is part of what we do.
18 And, certainly, we're looking at this as an
19 opportunity to try a modification of an historic
20 process. Our hope is that the reward outweighs
21 the risk, certainly, and that there are savings
22 that can be realized for customers through
23 procurements directly in the ISO-New England
24 Market.

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[WITNESS PANEL: McNamara|Pentz]

1 You've gone through this process,
2 you've both developed this proposal. You've done
3 what you need to do in order for it to happen.

4 Can you share the risk analysis that
5 you've gone through since we last spoke at one of
6 these Default Service meetings? And what you
7 think we should know, and what you're optimistic
8 about, and maybe what risk you still perceive?

9 A (Pentz) Sure. You know, as part of the 22-053,
10 the procurement investigation docket, you know,
11 there was quite a bit of historical data, --

12 Q Uh-huh.

13 A (Pentz) -- you know, that is visible. And there
14 are the monthly filings that we make as well.
15 So, you know, there is a clear trend that's in
16 the data. You can't not acknowledge that.

17 You know, that's not to say that it's,
18 you know, it's not a future, you know, that
19 historical data, you know, doesn't necessarily
20 predict what's going to happen in the future.

21 So, you know, I think this is a -- this
22 is a proposal, you know, looking at the
23 historical data and seeing that, yes, if you do
24 make direct purchases in the market, you do avoid

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1 a risk premium that's presented by a supplier.
2 So, you do take out of that -- you do take that
3 out of the equation.

4 But I, you know, I think this is
5 something that it will be interesting to see the
6 results, and see if it will have an impact on
7 ratepayers, like it has in the past -- like it
8 would have had in the past.

9 Q Yes. And you mentioned "community power
10 aggregation", something that we are very busy
11 with, from our standpoint, many, many towns,
12 we're receiving plans consistently, we're
13 approving them consistently. And we know that
14 we're in early days of community power
15 aggregation.

16 And, certainly, when I look at that, I
17 see, as we've talked about in the past, and
18 looking at Massachusetts, you know, an attrition
19 from the utility as the supplier, and then taking
20 on new responsibilities from that standpoint as a
21 supplier of last resort. You know, how does this
22 process integrate into that future where
23 community power is more broad across the state?

24 A (Pentz) Sure. I think, as community aggregation

[WITNESS PANEL: McNamara|Pentz]

1 continues, and as default service load
2 essentially migrates to competitive supply and
3 aggregations, you know, that could entail some
4 changes on the procurement end down the road.

5 I think that, from a wholesale supplier
6 standpoint, it's not necessarily the amount of
7 loads, although that is, to a certain degree, an
8 issue in Fitchburg, it's really, you know, how
9 steady that volume is, load certainty. You know,
10 the big issue in Fitchburg was, you know, you had
11 the City of Fitchburg, which represented
12 two-thirds of the distribution load, was pending
13 for over two years.

14 Whereas, in New Hampshire, you know, I
15 tend to think that it's -- it provides more
16 certainty, the process in New Hampshire, because
17 the approvals go much faster. So, there's less
18 duration risk, say, where, you know, the towns
19 are not going to be out there for two years. If
20 they want to execute, they can do it fairly
21 quickly.

22 Q Okay.

23 A (Pentz) So, you know, I think, if I had a crystal
24 ball, which I don't, you know, I would say that,

[WITNESS PANEL: McNamara|Pentz]

1 if the load volumes get to a level where, you
2 know, 90 percent of the load is on aggregations,
3 then, you know, that may present some issues with
4 suppliers not wanting to participate, because the
5 load volumes are just that low, and they wouldn't
6 be interested anymore. But that's my best
7 educated comment on that.

8 Q Okay. Sure. And that would necessitate the
9 Company leveraging this market-based procurement
10 process to a greater extent?

11 A (Pentz) I would say that this proposal could be a
12 foundation for any failed procurements or any
13 issues related to those issues, yes.

14 Q Okay. Thank you. And, then, if you both would
15 just walk us through Exhibits 8 and 9, the tables
16 that you've presented, explain them, each table
17 to us, in your own words, and identify any
18 particularly salient figures that are presented
19 here that you think are of interest for the
20 Commission?

21 A (Pentz) Sure. So, I have the Excel versions up
22 on my screen here, which I think should be pretty
23 easy to see on the *pdf*. It's the Table 1, which
24 is the -- this is the estimate, the tranche

[WITNESS PANEL: McNamara|Pentz]

1 estimate. And what we're doing here, in Row A,
2 this is our -- actually, I apologize, I'm looking
3 at a different file.

4 Q Take your time. I think I have the *pdf*, but my
5 colleagues may have the Excel.

6 A (Pentz) Okay. So, I'm looking at Exhibit
7 JMP/LSM-2, Page 1 of 3.

8 Q I'm with you.

9 A (Pentz) Okay. And, as I explained in the
10 testimony, we came up with an approach to
11 estimate this tranche based off of NYMEX ISO
12 futures, the estimate of capacity prices based
13 off of a report that published from ISO-New
14 England. So, you can see Row A, we'll start off
15 with Row A, on Table 1, which is the "Projected
16 Default Service Volume" for that period. And
17 these load forecasts are created by another
18 department in the Company.

19 The "Total ISO Market Tranche
20 Estimate", which is Line B, is simply the sum of
21 Line C through H. And those are all the
22 components to serve load as a load serving
23 entity.

24 So, Line C is the "Energy" component,

[WITNESS PANEL: McNamara|Pentz]

1 and that does tie back to the "Energy
2 Calculation" tab. And that calculation is based
3 off of NYMEX futures pricing for the period. And
4 what we do is, I went back, and, for 2022, I
5 pulled historical data to see how much of the
6 volumes were on-peak and off-peak. So, I used an
7 allocator to allocate the appropriate amount of
8 off-peak and on-peak pricing to come up with an
9 "Energy Price" estimate. That would be Row C.

10 And, then, for Row D is the "Capacity
11 Price" estimate. And that is a calculation that
12 is based off of the -- the load asset's, if you
13 will, capacity load obligation, which is based
14 off of peak contribution tags from customers,
15 multiplied by the capacity effective charge rate,
16 which is published in the ISO-New England's
17 Forward Capacity Market Cost Allocation Forecast.

18 Moving on. There are several other
19 elements, Columns -- Rows E through H, which are
20 very *de minimus*, compared to the Energy and
21 Capacity Prices. So, what we were comfortable
22 with is just taking an historical average from
23 the Wholesale Load Cost Reports that are
24 published by ISO-New England to estimate these

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1 prices. And that would be for "Net Commitment
2 Period Compensation", "Ancillary Markets",
3 "Miscellaneous Credit and Charges", and the
4 "Wholesale Market" -- "Wholesale Market Service
5 Charge".

6 And that would comprise the Period
7 Weighted Average Price estimate.

8 Q Thank you. That seems like a fine analysis. Can
9 you do the same for the subsequent pages in this
10 schedule? So, I'm looking at Pages 2 of 3 and 3
11 of 3, just walk us through the outputs from that
12 model?

13 A (Pentz) This is still JMP/LSM-2, correct?

14 Q Yes.

15 A (Pentz) Okay.

16 Q And, then, this -- so, this being Exhibit 8, and
17 then we'll jump to Exhibit 9, if you would,
18 after. Thank you.

19 So, I'm looking at the 2024 to 2025,
20 Lines 1 through 4, "Peak Futures Pricing", "Off
21 Peak Futures", "Monthly On Peak".

22 A (Pentz) Row 1 is your "Peak Futures Pricing".
23 That pricing is pulled off of NYMEX's daily
24 published pricing. And, then, "Off Peaks" is

[WITNESS PANEL: McNamara|Pentz]

1 similarly, pricing as published by NYMEX for
2 off-peak energy for that period. And the
3 "Monthly On Peak Load Percentage", like I
4 mentioned previously, I had done an analysis
5 about what percentage of the load was on-peak
6 versus off-peak, to get a better estimate.

7 And, you know, if this proposal were to
8 be approved, we would likely pull historical data
9 for 2023, just to be more recent.

10 And, then, Row 4 is simply the "Energy
11 Price Estimate", which is the weighted average of
12 the peak and off-peak, based off of the on-peak
13 percentage.

14 Q Okay. Thank you.

15 A (Pentz) Moving on to Page 3 of 3. Line 1 is the
16 "Customer Capacity Load Obligation", that would
17 represent the aggregated contributions from all
18 customers in each load asset, essentially
19 referred to as an "ICAP tag".

20 Q Okay.

21 A (Pentz) The "Capacity Effective Charge Rate" is a
22 number that is published in ISO-New England's
23 Forward Capacity Market Cost Allocation Forecast,
24 and we're comfortable with using the ISO's data

[WITNESS PANEL: McNamara|Pentz]

1 for that. Line 3, which is the "Capacity Cost",
2 is simply multiplying Lines 1 with 2.

3 And Line 4 is our "Projected Default
4 Service Volume". And what we come up with with
5 the price estimate is dividing D9 through D10.
6 So, that would just be dividing your capacity
7 costs by your volumes.

8 Q Great. Thank you for that. And, then, if you
9 would walk us through LSM -- or, JMP/LSM-3, for
10 the total power supply price estimate?

11 A (Pentz) Sure. In Table 1, on Row A, and on
12 Row B, I have the loads broken out by the 10
13 percent tranche and the 90 percent tranche. Line
14 C is the Total of the Evaluation Loads. So, that
15 would be the sum of the 10 percent and the 90
16 percent. The "Total ISO Market Tranche Estimate"
17 would be pulled from the prior exhibit, the end
18 estimate for each month. The "Fixed Price
19 Contract", which is Row E, that would be,
20 essentially, the wholesale supplier's winning bid
21 price. And we would just simply create a
22 weighted average, based on 90 percent of the bid
23 price from the winning bidder and 10 percent from
24 our estimate of the tranche.

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[WITNESS PANEL: McNamara|Pentz]

1 CMSR. SIMPSON: Okay. Thank you for
2 that. I appreciate you walking through the
3 schedules. This looks like a good proposal. So,
4 thank you for your work.

5 I don't have any further questions for
6 the witness panel. Thank you.

7 CHAIRMAN GOLDNER: Thank you. Let's
8 move to Commissioner Chattopadhyay.

9 BY CMSR. CHATTOPADHYAY:

10 Q So, let's stay with these tables, just to --
11 sorry. Just stay with the same tables. So, I
12 just want to make sure I'm capturing everything.

13 So, if you go to JMP/LSM-2, Page 1 of
14 3, which is -- I think it's Exhibit 8. If you
15 look at the Row B, it has, for example, for
16 August '24, August 2024, it's "54.37". Right?

17 A (Pentz) Yes.

18 Q And, when you go to Exhibit 9, JMP/LSM-3, you
19 have a Total ISO Market Tranche Estimate, it's
20 "54.26". And, likewise, for the other months,
21 too, the numbers are slightly off. And I'm not
22 sure what's going on. Is it because you
23 estimated them at a different time? Or, what's
24 going on?

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[WITNESS PANEL: McNamara|Pentz]

1 A (Pentz) Yes. And thank you for mentioning this,
2 Commissioner. There was a revised exhibit that I
3 believe was filed that corrected those numbers.
4 So, those -- the numbers in JMP/LSM-2 should
5 align with JMP/LSM-3. I think that was just a
6 simple copy-and-paste mistake.

7 Q Okay.

8 A (Pentz) Uh-huh.

9 Q Thank you.

10 A (McNamara) And I just will add that, --

11 Q Sure.

12 A (McNamara) -- that was filed as a data response
13 to DOE 1-5.

14 Q So, that's not part of the record, *per se*,
15 like -- right. Okay. But I understand what's
16 going on.

17 So, now, I'm going to go to conceptual
18 areas. So, I think I understood when you
19 explained why you chose 10 percent, as opposed to
20 20 percent. I also understood why you're going
21 entirely to Real-Time Markets, okay, because
22 you're saying there are administrative costs that
23 will be associated with Day-Ahead Market. Is
24 that something that you've never dealt with in

[WITNESS PANEL: McNamara|Pentz]

1 Unitil?

2 A (Pentz) It's my understanding that, prior to
3 restructuring, that the Company did have a
4 trading desk that traded power on a regular
5 basis, and there may have been experience, I want
6 to say, in the late 1990s or early 2000s. But
7 that has -- that experience is not here
8 currently, since we've been doing full
9 requirements procurements.

10 Q I already forgot exactly what those terms that
11 you were using. But, when you were talking about
12 the real-time pricing, you mentioned a couple of
13 things that has to be done, like,
14 administratively. And those things remain
15 unchanged, whether you go to that market or not,
16 right?

17 A (Pentz) Yes. Yes. It's essentially settling the
18 energy, the 10 percent tranche, is essentially a
19 seamless process, where you're assigned 10
20 percent of the load on the load asset, and it's
21 settled at whatever the real-time price ends up
22 being.

23 Q I recall that some time, forget was it 2022/2023,
24 that Fitchburg, you couldn't -- you didn't have a

[WITNESS PANEL: McNamara|Pentz]

1 -- you had a failed auction, and then that meant
2 that you had to rely on purchasing everything
3 Real-Time. Was it Real-Time? Or did that have
4 any Day-Ahead element to it?

5 A (Pentz) The energy was purchased -- sure. The
6 energy was purchased in the Real-Time Markets,
7 for reasons that I've mentioned today, about
8 experience with --

9 Q So, the same thing is true there as well?

10 A *[Witness Pentz indicating in the affirmative].*

11 Q Okay. I think Commissioner Simpson had gone down
12 this road, talking about CPNH *[sic]* and what
13 happens -- sorry, community power aggregation,
14 not "CPNH". When you go down that route,
15 eventually, if it turns out that 90 percent of
16 the load is with community power, and then 10
17 percent stays with you, I mean, it's very likely
18 that then the default service RFPs, all of that,
19 will fail, right?

20 I know, you are hesitating that. But
21 at least there is a percentage out there which
22 would make suppliers think "why am I even
23 bothering about this?"

24 A (Pentz) Yes, essentially. I would hesitate to

[WITNESS PANEL: McNamara|Pentz]

1 say that that would guarantee a failure. There,
2 before the implementation of the Fitchburg
3 aggregation in Massachusetts, you had about
4 50 percent of the load on competitive supply,
5 50 percent on basic service, and there was still
6 quite a bit of participation.

7 I think, once you cross 80-90 percent,
8 but it also depends, too, on how much
9 distribution load a utility has. I mean, if
10 you're Eversource, it could be different, right,
11 because they're much larger than Unitil.

12 It would probably pose some challenges.
13 And I think that, from a -- default service is a
14 very unique product in that it's load-following.
15 And that, you know, this does present risk for
16 wholesale suppliers, where, essentially, if, it
17 likely wouldn't happen, but let's say you had all
18 aggregations essentially end on one day. Then,
19 all that load would shift back to the wholesale
20 supplier, and they are fully responsible for
21 servicing that load. Which is different than,
22 I'm presuming, how municipal aggregations
23 purchase power in the market.

24 So, it may present changes to the

[WITNESS PANEL: McNamara|Pentz]

1 procurement process if default service does erode
2 to a point, maybe in the next few years, where it
3 does get down to 10 percent. And, like I had
4 mentioned with Commissioner Simpson, is, you
5 know, perhaps this model could be something to
6 build upon in that case. But I think that's
7 something that needs to be explored.

8 And, you know, again, there are many
9 policy questions, too, about, you know, how would
10 the utilities, you know, procure energy in a
11 world that's uniquely different five years from
12 now? So, there's many policy questions in there,
13 too, that I just, you know, I can't weigh in on,
14 but, you know.

15 Q So, do you -- excuse me -- do you track what load
16 is now remaining with default service as a
17 percentage of the total load that you have to
18 meet?

19 And I'm asking that question, being
20 mindful that, you know, that there's already the
21 suppliers, and then you are now having community
22 power coming in. So, are you tracking that? And
23 do you have a sense -- can you give me a sense of
24 what percentage remains with default service

[WITNESS PANEL: McNamara|Pentz]

1 right now? I'm just --

2 A (Pentz) Currently, we have five towns that are
3 enrolled within aggregation. And, in terms of,
4 while I don't have the load volumes number, load
5 volumes available right now, that's something
6 that I will prepare in advance of the RFP, likely
7 in the next few weeks.

8 In terms of total customers, 16 and
9 three-quarters of a percent are -- so, let me
10 rephrase that. Around 17 percent of customers
11 are involved in aggregations, based on
12 distribution load.

13 Q Okay.

14 A (Pentz) So, not a significant impact to default
15 service yet. But that will likely continue to
16 erode.

17 Q What percentage of the load is with suppliers?

18 A (Pentz) Based on the most recent migration
19 report, I believe it was 77 percent of
20 residential load was with default service, and
21 23 percent on competitive supply or aggregation
22 supply.

23 Q Okay. You had briefly talked about the
24 difference between the Day-Ahead prices and the

[WITNESS PANEL: McNamara|Pentz]

1 Real-Time prices. Can you remind me again, and I
2 didn't capture, like, directionally, which one is
3 higher?

4 A (Pentz) If you look at history from 2019 to 2024,
5 up until February 2024, I have an average, and
6 this is not a weighted average based on load,
7 this is a simple just average, Real-Time comes
8 out to \$43.77, Day-Ahead is \$44.62. Again, this
9 is a simple average of monthly LMP prices in the
10 New Hampshire Load Zone.

11 Q Okay. So, that I would expect, because
12 Day-Ahead, there is a premium associated with,
13 you know, that.

14 A (Pentz) Yes.

15 Q So, I would expect, on average, the Day-Ahead
16 prices would be slightly higher than Real-Time
17 prices. That's fine. But do you have any
18 experience on sort of looking at, you know, how,
19 when the shocks happen, where do those shocks
20 reside mostly? Is it in the Real-Time? Or, can
21 they then actually impact the Day-Ahead prices
22 for the next few days?

23 You know, have you done any analysis on
24 that?

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[WITNESS PANEL: McNamara|Pentz]

1 A (Pentz) I've looked at some data and reporting
2 over time. And I think what you see is, when you
3 have large generation trip off line, like a
4 nuclear unit, then, you know, you do see large
5 spikes for an hour or two until the reserves come
6 back in. You know, that's why ISO-New England
7 has a reserves market, you know, so they can call
8 upon reserves, in case Seabrook goes down, you
9 know, for a little bit. So, those shocks
10 typically are short-lived.

11 And, from what I've seen back in the
12 polar vortex, you know, with capacity constraints
13 on pipelines, is the Real-Time and the Day-Ahead
14 Market prices are actually quite close, because
15 you have a cold stretch that's forecasted for a
16 week or two, and they generally align better than
17 other examples, such as a shock, like losing a
18 big generator.

19 And I think what, you know, a
20 compelling reason to, you know, choose Real-Time
21 over Day-Ahead as well is, you know, we're doing
22 a monthly average. You know, you're looking at
23 these Real-Time prices over a period of time, not
24 just two hours or three hours.

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[WITNESS PANEL: McNamara|Pentz]

1 Q So, what I understood from your answer is that,
2 when there are these short-lived perturbations,
3 they tend to be mostly in the Real-Time.

4 A *[Witness Pentz indicating in the affirmative].*

5 Q And, if there is some sense of like there is,
6 let's say, we are expecting three weeks of really
7 cold weather, then there might be, you know, even
8 though there is a spike in the prices, both
9 Real-Time and Day-Ahead go more or less together?
10 That's exactly what you're saying?

11 A (Pentz) That's what I have seen, yes.

12 Q Okay. I'm not sure you are the person who might
13 be able to answer this, but -- and I'm not 100
14 percent sure how to frame this, I'm just trying
15 to think about it. So, when you were talking
16 about NEPOOL participants, NEPOOL member
17 participants, is that a -- like, as a supplier,
18 is that a different concept than what a market
19 participant is in, you know, participating in the
20 ISO-New England Markets? Is there a difference
21 in those two concepts?

22 A (Pentz) So, I think this is getting back to the
23 six different sectors in ISO-New England, where
24 you have the end-user sector, right?

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[WITNESS PANEL: McNamara|Pentz]

1 Q Yes.

2 A (Pentz) It's my understanding that whatever
3 sector you're in, you could be an end-user, you
4 could be a transmission owner, you could be a
5 publicly owned entity, you can still participate
6 in the ISO-New England energy markets no matter
7 what group you're in.

8 Q Yes. I understand that. But there is -- is
9 there a process as to now being approved for
10 being a market participant in the ISO-New England
11 Markets?

12 I mean, I'm not, you know, there's
13 NEPOOL, and then there is actually participating
14 in the ISO-New England Markets. So, Real-Time
15 you go ahead and say "this is how much I need",
16 or Day-Ahead, "this is how much I'm going to
17 purchase."

18 So, I'm not sure I -- whether you were
19 saying that just being in the NEPOOL world and
20 being accepted as a participant is the same thing
21 as a market participant in the day-to-day
22 markets?

23 A (Pentz) Right. Okay. Unitil is a market
24 participant in ISO-New England. The Fitchburg

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[WITNESS PANEL: McNamara|Pentz]

1 entity and Unitil Energy Systems are both
2 market -- are classified as "market
3 participants". So, there are no changes that
4 would need to be made in order for us to --

5 Q Okay.

6 A (Pentz) -- purchase 10 percent of the power. We
7 already interface with ISO-New England, where,
8 through some group net metering hosts where we
9 own energy assets, we sell that into the market.
10 So, we have, I wouldn't call it "trading", but
11 we, yes, we have energy that is settled in the
12 market.

13 CMSR. CHATTOPADHYAY: That's all I
14 have. Thank you.

15 CHAIRMAN GOLDNER: Okay. First, this
16 is just an administrative question.

17 So, the Company has been filing a
18 Default Service Market Rate Comparison compliance
19 filing for the last many months. The last one
20 that I could find in the file was dated
21 January 31st. Is there a reason for the gap in
22 the monthly filing?

23 MR. TAYLOR: I can actually answer
24 that.

[WITNESS PANEL: McNamara|Pentz]

1 So, the attorney who filed that
2 inadvertently filed it to the discovery list.
3 And, so, my understanding was that it was going
4 to be, and we just determined this yesterday or
5 the day before, and so it was going to be refiled
6 to the full service list, because the Clerks
7 Office's didn't get it last time. So, if that
8 hasn't come in yet, it should be coming in very,
9 very shortly.

10 CHAIRMAN GOLDNER: Okay. Yes. As of
11 eight o'clock this morning, it hadn't come in
12 yet. So, thank you for following up on that.
13 So, I'll work off the January 31st filing for
14 today.

15 BY CHAIRMAN GOLDNER:

16 Q So, Mr. Pentz, you were highlighting earlier that
17 you had done some analysis relative to I think
18 you said from 2019 through February of 2024. And
19 you looked at kind of the averages over that
20 longer time period, and I think you said it was
21 in the low 40s, low \$40 per megawatt-hour. Is
22 that -- did I hear that correctly?

23 A (Pentz) Yes. That's correct. So, for the
24 Real-Time LMP would be \$43.77, while the

[WITNESS PANEL: McNamara|Pentz]

1 Day-Ahead would be \$44.62.

2 Q Thank you. And you wouldn't happen to be
3 following the Eversource/Burgess docket, would
4 you, by any chance?

5 A (Pentz) I've read lightly upon the material.

6 Q The "executive summary" version is is that, in
7 that docket, Eversource had forecasted \$40 a
8 megawatt-hour for the balance of 2024. It's
9 actually 39.something, I think.

10 And I'm looking at the history that the
11 Company has filed here over the last -- in that
12 January 31st filing, and listening to you on the
13 history that you've pulled, and looking at the
14 Eversource piece of it. And, then, you were
15 highlighting earlier your process for forecasting
16 the ISO Market tranche, which is much higher than
17 \$40 a megawatt-hour. So, I'm just trying to
18 piece all that together, and understand why that
19 ISO Market tranche isn't closer to 40, where here
20 it's probably closer to, you know, 70 or
21 something?

22 A (Pentz) Sure. The Real-Time LMP is just the
23 energy component to serve load. There's many
24 other components to serve load, such as capacity,

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[WITNESS PANEL: McNamara|Pentz]

1 ancillary services, as is displayed in JMP/LSM-2.

2 Q Yes. And I want to ask you about that. So,
3 agree with that, and looks like it's, roughly,
4 like \$11 a megawatt-hour on average in that
5 exhibit. So, accepting that, and you've got, you
6 know, 40, plus roughly 10. If the average would
7 have been, you know, 50 or so, then you --
8 everything would have lined up.

9 So, I'm just trying to understand why,
10 given your own analysis of the history, I'm just
11 trying to understand why it's so much higher?

12 A (Pentz) I think the reasoning may be due to just
13 the NYMEX futures pricing that we're using. I
14 mean, that there could be a tendency over time
15 for real-time prices to actually be lower than
16 what's forecasted. I think that that's probably
17 the piece that's missing.

18 Q Okay.

19 A (Pentz) Because, you know, we can only use the
20 best available data we have to forecast what the
21 energy component is. And, in this case, it's a
22 publicly traded, you know, physical -- not
23 "physical", but, you know, commodities of power
24 that's actively traded. So, --

[WITNESS PANEL: McNamara|Pentz]

1 Q Okay. And I don't know what Eversource -- how
2 they did their forecast. Maybe they were using
3 history, as opposed to a NYMEX forecast, I don't
4 know. But it just seems like there's a
5 disconnect between the history, even with all of
6 the crazy, wacky gas prices over the last few
7 years, even with all that, the average was still,
8 as you highlighted, in the low 40s?

9 A (Pentz) It could very well be, once, you know,
10 eight, nine months from now, once we see what the
11 Real-Time settled at, it may be in the 40s.

12 Q Yes.

13 A (Pentz) It may be in the 240s. Maybe.

14 Q Maybe. That could be. I agree with that. And
15 it might be, you know, we're launching a new
16 process. And, so, you've used the best possible
17 data, which makes perfect sense. It may make
18 more sense in the future to look, you know,
19 potentially backwards, instead of forwards. But
20 we can let this evolve in its natural way and see
21 what makes most sense from a forecasting
22 perspective.

23 Personally, I find that the best way to
24 forecast is to trend looking backwards, as

[WITNESS PANEL: McNamara|Pentz]

1 opposed to looking at somebody's market forecasts
2 looking forwards. But that's maybe a, you know,
3 personal failing, I don't know.

4 But I don't know if you have any
5 comments on looking backward or forward,
6 Mr. Pentz?

7 A (Pentz) Sure. I would say, for the capacity
8 piece, those prices are known three years in
9 advance, and then ISO-New England publishes the
10 Forward Capacity Cost Allocation Report. So,
11 that, I mean, at least that piece of serving load
12 I would have very high confidence on. And, you
13 know, again, like I was mentioning, with some of
14 the other smaller components, like Net Commitment
15 Period Compensation, and *et cetera*. Those are a
16 very small percentage. And we did use historical
17 data to estimate that. I think, with the --

18 Q That's the energy piece?

19 A (Pentz) This is the energy piece, you know, we
20 are using futures pricing, which is generally
21 used in many other, you know, utility default
22 service filings, not just in New Hampshire, but,
23 you know, all over New England.

24 Q I understand. And you, I'm sure, already do

[WITNESS PANEL: McNamara|Pentz]

1 this, but I would just encourage a tracking of
2 the forecasting versus the real number. And, so,
3 that over time, hopefully, we can all get smarter
4 about the forecast. Because, if you look at the
5 historical data, even with the perturbations over
6 the last couple years in some of the -- from the
7 gas market activity, you would still think it
8 would be closer to \$40 than 70.

9 A (Pentz) Yes. And I would add another comment,
10 too, is the NYMEX futures pricing does account
11 for uncertainty; whereas real-time pricing is
12 real-time.

13 Q And that's an important distinction. And I think
14 the third party suppliers are no doubt using the
15 NYMEX futures in their quote, which is why, when
16 we looked at the IR docket data, where the
17 company put forward data, I think, since 2015 or
18 so, the third party quotes and numbers that we
19 locked in in this proceeding, in the Default
20 Service proceeding, were so much higher than the
21 ISO-New England Real-Time or Day-Ahead rate.

22 A (Pentz) Right. I think you can look at it where,
23 you know, directly purchasing from the ISO is
24 essentially the bare-bones approach. And, then,

[WITNESS PANEL: McNamara|Pentz]

1 you know, this estimate, let's say, is another
2 level up, where we're using NYMEX energy
3 estimates, which, like I was saying, also has
4 that element of uncertainty, because it's a
5 future price that's forecasted. And, then, you
6 know, if you want to go to another level, there's
7 the wholesale pricing that's presented by
8 suppliers. You know, they use NYMEX, but they
9 also have to add in risk premiums, because
10 they're bidding on default service, which is a
11 load-following product. You know, so, there's
12 another layer on that.

13 Q And I would say, if you were ever inspired to do
14 a risk premium analysis, and present that to the
15 Commission, the Department, and the OCA, that
16 would be welcome, because that -- it is a very
17 interesting problem. And these premiums that get
18 piled one on top of the other would be -- would
19 be good for the parties and the Commission to
20 better understand from an expert like yourself
21 and Ms. McNamara.

22 A (Pentz) Right. And I think, we've -- in
23 historical default service filings, we've, as
24 you've probably seen, the ratio analysis, where

[WITNESS PANEL: McNamara|Pentz]

1 we, you know, track what the NYMEX is, versus the
2 whole price that the bidders supplies us, and
3 comes up with, essentially, a factor, then we do
4 look back at history to see how reasonable that
5 factor is.

6 Q And that's -- so, you would kind of translate
7 that for the risk premium, sort of?

8 A (Pentz) The problem is, though, is that
9 non-energy component, it includes a risk premium,
10 but it also includes all the other costs to serve
11 load, like capacity, Net Commitment Period
12 Compensation, that supplier margin. You know, I
13 mean, so, it's hard to actually figure out, and I
14 talk to, you know, the other utilities, too, it's
15 hard to figure out actually what the risk premium
16 is, you know.

17 Q Understand. Understand. It's a difficult
18 analysis. And that's why I think we would
19 welcome any insight that you would have on that,
20 because it is complicated, and we would look to
21 experts to help us understand better. Okay.
22 Thank you for that.

23 Just sort of a fundamental question.
24 Does the Company have any known advantages or

[WITNESS PANEL: McNamara|Pentz]

1 disadvantages, versus Eversource or Liberty, in
2 terms of the ISO-New England Market procurement?
3 You might -- you might be thinking about the size
4 of Unitil, versus the others, that would be one
5 thing. But, as we launch into this with all
6 three utilities, the Commission, and I'm sure the
7 parties, are looking forward to the effort from
8 all three utilities to execute this market
9 tranche. And we're just wondering, with our
10 headlights on, what it looks like to you. Do you
11 feel like you have any advantages or
12 disadvantages, versus the other two utilities?

13 A (Pentz) If we're discussing strictly direct
14 market purchases, I wouldn't see any advantage or
15 disadvantage between each of the utilities. Each
16 utility would be directly purchasing power in the
17 markets. That's a simple task, that's done
18 either Day-Ahead or Real-Time. You know, you
19 wouldn't be exerting market power. And I guess,
20 if you are a very, very large utility, if you're
21 purchasing quite a bit of energy, you know, maybe
22 that could have slight impacts.

23 But, I mean, for Unitil's case, since
24 the Company is so small, I don't see the Company

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[WITNESS PANEL: McNamara|Pentz]

1 having any impact on the markets in ISO-New
2 England.

3 Q And this kind of goes to some of the questions
4 that Commissioner Simpson and Chattopadhyay were
5 asking, too. Given the Company's choice to go to
6 the Real-Time Market, versus the Day-Ahead
7 Market, I think, in your mind, that's maybe
8 actually an advantage to make that choice, where
9 the other two utilities I think have proposed
10 going mostly to the Day-Ahead Market, and just
11 sort of cleaning things up in the Day-Ahead.
12 That was sort of another aspect I wanted to
13 explore with you.

14 A (Pentz) Sure. And I think, with municipal
15 aggregations and load migration, you know, your
16 forecast could be very different than what
17 actually settles real-time, possibly. So, there
18 could be large variances there, as opposed to
19 just strictly taking a real-time price. We think
20 that would be a significant issue, though, for
21 the other utilities.

22 I think, really, when you're talking
23 about Day-Ahead versus Real-Time, ISO-New
24 England, they generally prefer to have load match

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[WITNESS PANEL: McNamara|Pentz]

1 with generation in the Day-Ahead Market for large
2 volumes.

3 But, you know, since Unitil is so
4 small, again, it's not going to have an impact on
5 the market.

6 Q Okay. Thank you. We wondered, coming into this
7 proceeding, why Unitil had made a different
8 choice than the other two utilities. So, I think
9 you've been helpful in explaining that.

10 Are you -- are either of you familiar
11 with Liberty's filing and its proposed call
12 option?

13 A (Pentz) I have slightly read a little bit about
14 it, but I'm not too familiar with how they plan
15 to execute call options in the energy market.

16 Q Okay. And you said before that you had looked at
17 different sort of hedging strategies, and the
18 Company had determined not to go down that path.

19 Does the Company have an opinion of the
20 cost/benefit of a call option like this, or any
21 other sort of hedging strategies? Is it
22 something you're interested in looking at or
23 learning from Liberty? Or, do you have any --
24 can you expand perhaps on this hedging piece?

[WITNESS PANEL: McNamara|Pentz]

1 A (Pentz) I mean, unfortunately, I wouldn't be able
2 to comment on that particular question right now.

3 Q Okay.

4 A (Pentz) I would have to look at their filing,
5 and, you know, discuss with them what their
6 approach is. I just don't -- I don't know enough
7 of their proposal to comment.

8 Q Okay. I'm sure we'll have questions for Liberty
9 in their proceeding, and that might shine a light
10 on some things.

11 You talked about this a little bit
12 before, Mr. Pentz, and, you know, in terms of
13 looking at sort of the height and the width of
14 the spike events, and the impact on that
15 six-month average. And some sort of rudimentary
16 analysis that we've gone through, it looks like,
17 you know, a spike event of a couple of hours,
18 even at the full \$3,000 a megawatt-hour, and
19 other perturbations, doesn't really have a huge
20 impact on the six-month average, just because
21 you're integrating a very small area into the
22 curve.

23 So, one of the things that we thought
24 about in this process was those price spikes, and

[WITNESS PANEL: McNamara|Pentz]

1 the impact on the price that customers would pay.
2 And, mathematically, it looks like a pretty small
3 percentage, a percent or two, in the sort of
4 scenario I just shared.

5 Is that something that the Company has
6 thought about, in terms of like doing the
7 mathematics on the price spikes, and what could
8 happen, and then how that would affect the
9 six-month price?

10 A (Pentz) Yes. I think it really just boils down
11 to, we'll be using a six-month, you know,
12 weighted average. And, you know, I think, like I
13 was mentioning before, the one to two hours, if
14 it goes to \$1,500, it's going to be smoothed out
15 over the next four or five months, essentially.

16 And there's also negative pricing in
17 the Real-Time Markets, which you don't get in the
18 Day-Ahead Markets.

19 Q Yes. That would be a welcome offset to any
20 perturbations going in the other direction.

21 Again, just a clean-up question, just
22 to make sure that the Commission has this right.
23 Does Unutil's Small Customer Group include
24 residential customers only?

[WITNESS PANEL: McNamara|Pentz]

1 A (Pentz) Unitil's Small Customer Group will
2 include just residential customers.

3 Q Okay. Thank you. Just wrapping up with a couple
4 of questions.

5 So, help us understand the Unitil
6 thought process when you go for a bid.
7 You've estimated the real-time price using your
8 methodology that you've shared here in Exhibits 8
9 and 9. And, if the bids come back much different
10 than what you were expecting, and this is a
11 conversation we have every default service
12 proceeding, it seems like now you would have the
13 opportunity to say "Well, you know, jeez, the bid
14 was \$120 a megawatt-hour, we thought it was going
15 to be 60." We -- like you did in Fitchburg, you
16 might, at that point, want to go purely to the
17 Real-Time Market. Does the Company have a
18 thought process that it plans to employ when the
19 bids come back, and how you would react if the
20 bids come in outside the zone?

21 A (Pentz) I think what we would do is what we've
22 done in the past, typically, is we would look at
23 the factors, the ratios that we have in the past,
24 and, you know, kind of look back in history and

[WITNESS PANEL: McNamara|Pentz]

1 see, you know, what those ratios were.

2 I mean, there are many -- there's many
3 different factors at play, you know, from a
4 wholesale supplier's point, is, you know, if they
5 do submit a bid that's much higher, there likely
6 is going to be a much higher risk premium in
7 there. You know, would it -- is that the
8 appropriate cost that, you know, the ratepayers
9 should pay? I mean, that's a policy question.

10 I think, in terms of judging the bids,
11 that's something that we would rigorously examine
12 on bid day. And, if we think it's unreasonable,
13 based on what we've seen in the past, we would
14 have to -- we would have to consider, I think,
15 alternatives.

16 Q Okay. And the two alternatives I think would be
17 going out for a second set of bids, or going to
18 the Real-Time Market. Those are the two options,
19 correct?

20 A (Pentz) And I believe the two options would be
21 to re-issue the RFP, although that likely
22 wouldn't [sic] be futile. I think it would
23 probably be a proposal similar to this.

24 I mean, but, again, you know, when

[WITNESS PANEL: McNamara|Pentz]

1 you're doing 100 percent of the load, as opposed
2 to 10 percent, things change quite a bit. If
3 we're self-supplying 100 percent of the load,
4 then that's going to increase working capital
5 requirements to another level. And that's a
6 whole different discussion. Because, you know,
7 UES is much larger than Fitchburg. So, when we
8 did self-supply Fitchburg, it was a much smaller
9 volume.

10 Q I see. And, in your testimony, you provided data
11 on the working capital requirements, and how that
12 would work. So, that's appreciated. That was
13 clear.

14 Final question I think is, and I know
15 it's early days, but I just want to check, do you
16 have a process at Unitil for tracking the
17 opt-outs in community aggregation? Are you -- is
18 that data that you track?

19 A (Pentz) I do not believe that our billing system
20 tracks who is physically opting out. And I
21 guess, when I think of "opting out", I think of
22 when a customer receives a mailer in the mail and
23 they check a box that says "I do not want to be
24 participating in this program." I mean, we have

[WITNESS PANEL: McNamara|Pentz]

1 no way of recording that data, because that's
2 property of the customer itself, and that
3 relationship is between the aggregator and the
4 customer. So, we would have no way of knowing
5 that. But we do have, obviously, a system of
6 record that shows which customers are on an
7 aggregation service or on default service. But
8 we just don't know, I guess, directly who's
9 physically opting out on that mailer.

10 Q Okay. And I was just thinking over time it would
11 be useful data, if it's possible, to know, as
12 these community aggregations happen, how many
13 people are opting out, how many people are
14 staying. And I guess you'll see that in the
15 aggregate, you know, in the big pool with all of
16 the data.

17 But it will be interesting for the
18 Commission, and I'm sure the parties as well, to
19 know how many people are opting out of community
20 aggregation.

21 A (Pentz) I think I can better answer that question
22 now.

23 So, you know, we do have a record of
24 the number of customers that are on aggregation

[WITNESS PANEL: McNamara|Pentz]

1 service versus default service. And, so, for
2 example, in Massachusetts, we have data that I
3 scrubbed through quite a bit last year. And
4 participation rates for residential customers was
5 around 94 percent for Fitchburg. A little bit
6 lower for --

7 *[Court reporter interruption.]*

8 **CONTINUED BY THE WITNESS:**

9 A (Pentz) A little bit lower for Ashby and
10 Lunenburg, which are other two communities in
11 Fitchburg's territory. But it's generally
12 greater than 90 percent.

13 BY CHAIRMAN GOLDNER:

14 Q Okay. And that's what you would expect here as
15 well?

16 A (Pentz) Yes.

17 CHAIRMAN GOLDNER: Okay. Okay, thank
18 you.

19 I'll check to see if the Commissioners
20 have any additional questions, before we move to
21 redirect?

22 CMSR. SIMPSON: I had one. I think it
23 may have been discussed earlier.

24 BY CMSR. SIMPSON:

[WITNESS PANEL: McNamara|Pentz]

1 Q But, just on the true-up for this, you would --
2 you're setting a proxy price from your
3 projection. That true-up that would happen,
4 whether there's an under- and over-collection,
5 you'd true that up in the next similar period,
6 right? So, winter to winter and summer to
7 summer? Or, would you just go to the following
8 period?

9 A (McNamara) It would follow the process that is
10 currently used, which is the following period.
11 So, the balance at the end of a particular point
12 in time, which I believe is April 30th right now,
13 that would be the same thing. It's going to be
14 seamless to customers, as far as the
15 reconciliation goes, as far as what they see,
16 what period is reconciled. It's not seasonal.

17 CMSR. SIMPSON: Thank you. That's all
18 I had.

19 BY CMSR. CHATTOPADHYAY:

20 Q When you actually go out and do the procurement,
21 let's assume that this is how the process will
22 be, 10 percent and 90 percent, whenever that
23 happens, you're going to again update the pricing
24 information, right?

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[WITNESS PANEL: McNamara|Pentz]

1 A (Pentz) Yes. That's correct. So, what we would
2 do is we would update the NYMEX forwards, take
3 the historical data, at likely the day before a
4 final bid day, yes.

5 Q And, at that time, you'll also have a different
6 price for the 10 percent piece?

7 A (Pentz) Yes.

8 CMSR. CHATTOPADHYAY: Okay. Thank you.

9 CHAIRMAN GOLDNER: Okay. And before we
10 move to redirect, I'll just -- this is a quick
11 question for the Department.

12 There was discussion in a prior
13 hearing, I think, about a report that the
14 Department was working on, that was originally
15 scheduled for December 1st. Is there -- does the
16 Department have any update for the parties or the
17 Commission on that topic?

18 MR. YOUNG: The Department is reviewing
19 a final draft of that report and is hoping for, I
20 guess, an imminent release.

21 CHAIRMAN GOLDNER: Okay. Okay, thank
22 you.

23 Okay. Let's move to Attorney Taylor,
24 and redirect.

[WITNESS PANEL: McNamara|Pentz]

1 MR. TAYLOR: I have no redirect. Thank
2 you.

3 CHAIRMAN GOLDNER: Okay. Okay. So,
4 first, the Commission has --

5 *[Chairman and Commissioners*
6 *conferring.]*

7 CHAIRMAN GOLDNER: Okay. The
8 Commission has ruled that the Community Power
9 Coalition is granted discretionary intervention
10 under RSA 541-A:32, Part II. For clarity, this
11 intervention is granted to the Community Power
12 Coalition as an organization, and not necessarily
13 to any member or client town or city associated
14 with the Coalition. A written procedural order
15 will memorialize this, and will be issued
16 following this hearing.

17 So, at this point, I'll thank the
18 witnesses. And the witnesses are excused.

19 Hearing no objections, we'll strike
20 identification on Hearing Exhibits 7 through 9,
21 and reserve Hearing Exhibit 10 for the lead/lag
22 study that we talked about earlier.

23 *(Exhibit 10 reserved.)*

24 CHAIRMAN GOLDNER: And we can now move

1 to closing statements, beginning with the
2 Department.

3 MR. YOUNG: Thank you, Mr. Chairman.

4 The Department has reviewed the
5 Company's proposal for a direct ISO-New England
6 Market-based procurement tranche of 10 percent of
7 its Small and Medium Customer Group energy
8 requirement, and believes the Company's proposal
9 satisfies the Commission's directive.

10 However, as laid out in the
11 Department's technical statement, if the
12 Commission approves this proposal, the Department
13 believes this scheme should run for this default
14 service period only, with an opportunity for the
15 parties to come together afterwards and
16 sufficiently analyze the experience and any
17 relevant data that may come from that experience.

18 Thank you.

19 CHAIRMAN GOLDNER: Okay. Thank you.
20 Let's move to the Office of the Consumer
21 Advocate.

22 MR. CROUSE: Thank you.

23 Based off of what we have reviewed in
24 advance, and during this present hearing, the OCA

1 does not object to the proposal raised by Unitil.
2 However, there are some concerns that we have
3 preliminarily raised here, such as whether or
4 not -- well, what's the risk tolerance the OCA is
5 willing to engage with the Real-Time Market.
6 And, without any present hedging strategies,
7 currently, with 10 percent, doesn't seem
8 unreasonable.

9 But should that procurement for a load
10 size that increases, or based on how future
11 default dockets might change, I think the term
12 was used "modification to an historic process"
13 has the OCA a little uneasy. So, we're very
14 interested in seeing what the benefits of
15 engaging with the Real-Time Market might
16 otherwise look like. So, we're just reserving
17 the right to object in a future default docket
18 proceeding based on the results of this one.

19 Thank you.

20 CHAIRMAN GOLDNER: And just a question
21 for the Consumer Advocate.

22 Has the technical team at the Consumer
23 Advocate had an opportunity to review the IR
24 docket and the information that was embedded in

1 there, because it speaks to the Real-Time Market
2 versus the -- versus the third party quotes and
3 those kinds of things? Have you had an
4 opportunity to look at that or has the Consumer
5 Advocate?

6 MR. CROUSE: Yes. There has been
7 internal review of those matters, which is one of
8 the reasons we're not directly objecting in this
9 instance. Our Director of Economics has
10 expressed interest in why the Commission might
11 only be interested in perhaps a Real-Time Market,
12 as opposed to engaging with the futures market as
13 well, and seeing how those might complement each
14 other.

15 However, at this time, there is no more
16 developed communication to provide. But, in
17 future review of how this, I believe the
18 Department characterized it as an "experiment" in
19 its position statement, results, that could be a
20 conversation that's better had.

21 CHAIRMAN GOLDNER: Okay. Thank you.
22 And we'll move to the Company.

23 MR. TAYLOR: Thank you, Commissioners.
24 Thank you for your time this morning.

1 In the Commission's December 8th, 2023,
2 order in this docket approving the Company's
3 Default Service rates for the period beginning
4 February 1st, the Commission directed the Company
5 to develop a proposal for an ISO-New England
6 Market-based procurement tranche of 10 to 20
7 percent.

8 The Company believes that the proposal
9 that it submitted is reasonable and complying
10 with the Commission's directive. And, should the
11 Commission approve the proposal, the Company will
12 incorporate its approach into its next default
13 service procurement for the period beginning
14 August 1.

15 The Company does request that the
16 Commission issue an order by April 8th, 2024, to
17 allow the Company sufficient time to make the
18 necessary changes.

19 CHAIRMAN GOLDNER: Okay. Thank you.

20 And I'll check with the parties to see
21 if there's anything else that we need to cover
22 today?

23 MR. YOUNG: Nothing from the
24 Department.

1 MR. CROUSE: Nothing from the OCA.

2 CHAIRMAN GOLDNER: All right. Seeing
3 none.

4 I'll thank everyone, in particular the
5 witnesses today.

6 *[Chairman Goldner and Atty. Speidel*
7 *conferring briefly.]*

8 CHAIRMAN GOLDNER: And the Commission
9 will consider the record in the case and issue a
10 dispositional order in the matter in due course.
11 And the hearing is adjourned. But prior to the
12 deadline.

13 ***(Whereupon the hearing was adjourned***
14 ***at 10:39 a.m.)***

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