

REDACTED

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

JEFFREY M. PENTZ

New Hampshire Public Utilities Commission

Docket No. DE 24-065

June 7, 2024

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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 Supervisor of Energy Supply. USC
7 provides management and administrative services to Unitil Energy Systems, Inc.
8 (“UES”, “Unitil” or the “Company”) 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 USC, I worked as a Contracting and Transaction
12 Analyst with Mint Energy which is a retail electric supplier. My range of
13 responsibilities included contract negotiation with brokers and customers, retail
14 billing, and sales. Prior to Mint Energy, I worked as a data analyst for Energy Services
15 Group. My responsibilities included supplier business transaction testing and
16 integration with regulated utilities. I joined USC in February 2016 as an Energy
17 Analyst with the Energy Contracts department. In January 2019 I was promoted to
18 Senior Energy Analyst and in January 2024, promoted to Supervisor, Energy Supply I
19 have primary responsibilities in the areas of load settlement, renewable energy credit
20 procurement, renewable portfolio standard compliance, default service procurement,
21 market research and operations, and 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 previous Default Service Solicitation
4 proceedings.

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 for its G1 and Non-G1 customers as approved by the
9 Commission in Order No. 25,397, dated July 31, 2012 (the "Order") granting UES's
10 Petition for Approval of Revisions to its Default Service Solicitation Process for G1
11 and Non-G1 Customers. Subsequently, in Commission Order No. 26,973 issued on
12 March 15, 2024, the Commission approved a modification to the solicitation process
13 whereby the Company will include a self-supply market-based tranche of 10% for
14 Non-G1 customers. With the current Request for Proposal ("RFP"), UES has
15 contracted for a six-month default service power supply for 90% of its small customer
16 group (Non-G1); 90% of its medium customer group (Non-G1); and 100% of its large
17 customer group (G1) service requirements. The remaining 10% of power supply will
18 be purchased directly in the ISO hourly markets. Service begins on August 1, 2024.

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

20 Supporting documentation and additional detail of the solicitation process is provided
21 in the Bid Evaluation Report ("Report"), attached as Schedule JMP-1. The structure,

1 timing and requirements associated with the solicitation are fully described in the RFP
2 issued on May 7, 2024 and is attached as Schedule JMP-2. An updated Customer
3 Migration Report is attached as Schedule JMP-3. The Customer Migration Report
4 shows monthly retail sales and customer counts supplied by competitive generation,
5 total retail sales and customer counts (the sum of default service and competitive
6 generation) and the percentage of sales and customers supplied by competitive
7 generation. The report provides a rolling 13-month history which covers the period
8 from April 2023 through April 2024. Renewable Portfolio Standard ("RPS")
9 Compliance Cost Estimates are included as Schedule JMP-4. My testimony reviews
10 UES's approach to compliance with the RPS which went into effect in January 2008.
11 Schedule JMP-4 details projected obligations and price assumptions for the coming
12 rate period. The price assumptions are based on recent market data information and
13 alternative compliance payment prices. Schedule JMP-5 provides historical price data
14 by customer group that is no longer subject to confidential treatment. This schedule
15 provides pricing histories associated with the most recent six-month rate periods for
16 Non-G1 and G1 customers for which all pricing is currently subject to the Federal
17 Energy Regulatory Commission's quarterly reporting requirements. Schedule JMP-6
18 details the pricing estimate for the 10% market tranche. Lastly, Schedule JMP-7
19 provides the final wholesale power supply price by calculating the weighted average
20 price of both the estimated market tranche (10%) and fixed price tranche (90%).

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

22 A. UES requests that the Commission:

- 1 • Find that: UES has followed the solicitation and self-supply process approved by
2 the Commission; UES’s analysis of the bids submitted was reasonable; and UES
3 has supplied a reasonable rationale for its choice of the winning suppliers.
- 4 • Find that: the price estimates of renewable energy certificates (“RECs”) proposed
5 by UES, which are based on actual purchases or current market prices and
6 information, are appropriate for inclusion in retail rates.
- 7 • On the basis of these findings, conclude that the power supply costs resulting from
8 the solicitation are reasonable and that the amounts payable to the sellers under the
9 supply agreements are approved for inclusion in retail rates.
- 10 • Issue an order granting the approvals requested herein on or before June 14, 2024,
11 which is five (5) business days after the date of this filing.

12 **III. SOLICITATION PROCESS**

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

15 A. UES conducted an open solicitation in which it actively sought interest among
16 potential suppliers to provide load-following power supply to its Default Service
17 customers. UES provided bidders with appropriate information to enable them to
18 assess the risks and obligations associated with providing supply services. UES did
19 not discriminate in favor of or against any individual potential supplier who expressed
20 interest in the solicitation. UES negotiated with all potential suppliers who submitted
21 proposals to obtain the most favorable terms from each potential supplier. The

1 structure, timing and requirements associated with the solicitation are fully described
2 in the RFP issued on May 7, 2024. This is attached as Schedule JMP-2 and is
3 summarized in the Bid Evaluation Report attached as Schedule JMP-1.

4 **Q. Were there any changes made to the Solicitation Process?**

5 **A.** Yes. On January 22, 2024 the Company made a proposal pursuant to the requirements
6 of Order No. 26,910, whereby the Commission ordered UES to submit a proposal to
7 self-supply a portion of Default Service through direct market purchases from ISO-
8 NE. The proposal changes the existing procurement process by including a 10% ISO-
9 NE market-based tranche for UES's Non-G1 default service customer groups, while
10 continuing with a reduced 90% tranche of fixed price load following power supply to
11 be solicited from wholesale suppliers. UES's proposal was approved by the
12 commission on March 15, 2024 in Order no. 26,973.

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

14 **A.** UES announced the electronic availability of the RFP to a list of power suppliers and
15 brokers. The RFP was also distributed to all members of the NEPOOL Markets
16 Committee. As a result, the RFP had wide distribution throughout the New England
17 supply marketplace, including distribution companies, consultants, and members of
18 public agencies. UES followed up the E-mail solicitation with outreach to power
19 suppliers to solicit their interest in bidding on any and all customer classes.

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

1 A. The RFP provides background information and historical data, details the service
2 requirements and commercial terms, explains the process for selecting the winning
3 bidders. To gain the greatest level of market interest in supplying the load, UES
4 provided potential bidders with appropriate and accessible information. Data provided
5 included historical hourly default service loads and daily capacity tags for each
6 customer group; class average load shapes; historical monthly retail sales and
7 customer counts by rate class and supply type; and the evaluation loads, which are the
8 estimated monthly volumes that UES would use to weigh bids in terms of price. The
9 retail sales report and the historical loads and capacity tag values were updated prior to
10 final bidding to provide the latest information available. Additionally, a supplemental
11 data file including load volumes sorted by rate class and supply type were provided for
12 each individual town in the UES service territory.

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

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

21

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

2 A. Overall, the winning supplier wholesale pricing submitted for the Small and Medium
3 classes (Non-G1) for the upcoming six-month period of August 1, 2024 through
4 January 31, 2025 is 3.4% higher than the current period of February 1, 2024 to July
5 31, 2024. Recent stability in the ISO-NE electricity forward pricing markets as well as
6 Henry Hub natural gas markets has resulted in a fairly stable comparison of bid results
7 when comparing to the prior period. Considering current market conditions, the
8 Company determined that the pricing submitted was market based and competitive.

9 **Q. What impact, if any, did active or pending community aggregations have on the**
10 **solicitation results?**

11 A. There are numerous cities and towns within UES' service territory which are either
12 active, or in the planning stages of forming aggregation supply. As a result, there is
13 significant default service load attrition expected for the upcoming service period of
14 August 1, 2024 through January 31, 2025. The migration adds an additional variable
15 into an area where suppliers already feel market related risks. Upon review and
16 analysis of the winning bid prices compared to energy futures from current and prior
17 solicitations, the Company didn't see any notable increases in bidder risk premiums
18 caused my municipal aggregations.

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

20 A. UES selected Constellation Energy Generation ("Constellation") as the winning bidder
21 for the small customer (Non-G1) supply requirement (90% share) and the medium

1 customer (Non-G1) supply requirement (90% share). UES selected Nextera Energy
2 Marketing, LLC (“Nextera”) as the winning bidder of the large customer (G1) supply
3 requirement (100% share). All three transactions are for a period of six months. UES
4 believes that Nextera and Constellation offer the best overall value in terms of both
5 price and non-price considerations for the supply requirements sought.

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

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

14 On the basis of the information and analysis contained in the Bid Evaluation Report,
15 UES submits that it has complied with the procurement process approved by the
16 Commission, and that the resulting default service power supply costs are reasonable
17 and that the amounts payable to the sellers under the supply agreements should be
18 approved for inclusion in retail rates.

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

20 A. UES reached out to a number of suppliers early in the process to solicit and gauge
21 supplier interest. Bidder response for this solicitation was similar when compared to

1 the prior solicitation, with one less bidder for the Small Customer Group, and one
2 additional bidder for the Large Customer Group. A couple suppliers that have
3 participated in the past elected not to do so this time stating concerns primarily about
4 municipal aggregation migration risk.

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

7 A. Similar to the current solicitation, UES's next default service solicitation will be for
8 ninety percent (90%) of the small, medium and large customer supply requirements
9 for a six-month period. Delivery of supplies will begin on February 1, 2025. UES will
10 be issuing the next solicitation on November 5, 2024 with final bids being due
11 December 3, 2024.

12 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

13 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
14 **requirements.**

15 A. In accordance with the settlement agreement dated July 16, 2009 in Docket No. DE
16 09-009, and as amended on December 6, 2011, UES will conduct two REC RFPs
17 during each compliance year to obtain Existing RECs and/or Forward RECs to meet
18 100% of its projected REC obligations. In addition, UES may make REC purchases
19 outside of the RFP process when it finds it advantageous to do so. To meet its 2024
20 RPS compliance requirements, UES will issue an RFP in the fall of 2024 for its

1 remaining 2024 RPS requirements and possibly half of its 2025 RPS requirements.

2 Tab A includes an exhibit summarizing UES’s REC purchases for RPS compliance.

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

4 A. The current solicitation is for default service power supplies to be delivered beginning
 5 August 1, 2024. Schedule JMP-4 lists the percentage of sales and the resulting REC
 6 requirement for each class of RECs for RPS compliance along with UES’s cost
 7 estimates for the period beginning August 1, 2024. UES’s cost estimates are based on
 8 current market prices as communicated by brokers of renewable products, recent
 9 purchases of RECs, and alternative compliance payment rates (“ACP”).

10 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**
 11 **2024 and 2025?**

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

NH Renewable Portfolio Standards: 2024 and 2025					
Calendar Year	Class I *	Class I Thermal	Class II	Class III	Class IV
2024	14.10%	2.2%	0.7%	8.00%	1.5%
2025	15.00%	2.2%	0.7%	8.00%	1.5%
*Class I is the gross requirement which includes Class I Thermal. The net Class I requirement less the Class I Thermal Carve-Out requirement is 11.9% for 2024					

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

19 **Q. Is there anything you would like to add?**

1 A. Yes. At this time UES has 5,632 Vintage 2021 Class III RECs at a value of \$190,362
2 that it was unable to use to meet the 2022 or 2023 RPS Class III REC obligations.
3 This is due to the reduction in compliance obligations made by the Department of
4 Energy, the 30% limit in using “banked” RECs in a single compliance year as
5 specified in RSA 362-F:7 and the limit on using, banked RECs only in the two
6 subsequent years from the REC vintage year.

7 **Q. What were the NH Class III Compliance Obligations from 2021-2023?**

8 A. The NH Class III obligation was initially set at 8% of retail sales for the compliance
9 years 2021-2023. These obligations were then reduced by the Department of Energy
10 to 1.0%, 0.5%, and 0.5% respectively from 2021-2023. The reductions to the
11 compliance requirements for 2021 occurred on March 31, 2022. The reductions to the
12 requirements for 2022 and 2023 occurred on April 11, 2023 and March, 5, 2024

13 **Q. Please explain the timing and pricing factors surrounding UES’ purchase of the**
14 **NH Class III RECs in 2021?**

15 A. UES purchased, based on estimated retail sales, 14,500 RECs, or 25% of the total
16 requirement for NH Class III on October 26, 2021. In other words, UES did not
17 purchase the full 8% of retail sales requirement, but only purchased 2%. Additionally,
18 the purchase price of the RECs was \$33.80, which was below the 2021 Alternative
19 Compliance Payment of \$34.99. The purchase was made months before the RECS
20 compliance obligation was reduced by the Department of Energy to 1.0% on March
21 31, 2022.

1 **Q. Was the purchase of these 2021 NH Class III RECs a prudent decision?**

2 A. Yes, the Company believes its decision was prudent. Most notably, the Company
3 relies on set compliance requirement obligations to make purchases throughout the
4 compliance year. Additionally, UES did not purchase the full 8% requirement, but
5 only 25% of the 8% (or 2% of the total), which was the compliance requirement for
6 the majority of the compliance year. Based upon the information known and available
7 at the time, the Company believes its decision to purchase NH Class III RECs at this
8 level, which was below the 8% requirement, was prudent.

9 **Q. Has the cost of the 5,632 Vintage 2021 Class III RECs been recovered by the**
10 **Company through its Default Service rates?**

11 A. Yes. Please refer to the Testimony of Linda S. McNamara that explains the
12 accounting treatment/cost recovery of these RECs.

13 **VII. CONCLUSION**

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

15 A. Yes.