

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF
JEFF M. PENTZ

New Hampshire Public Utilities Commission

Docket No.: DE 24-xxx

June 14, 2024

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LIST OF SCHEDULES

Schedule JMP-1: Stranded Cost Charge Costs

Schedule JMP-2: External Delivery Charge Costs

Schedule JMP-3: Contract Release Payments and Administrative Service Charges

Schedule JMP-4: Unitil Power Corp. Cost and Revenue Model

Schedule JMP-5: HQ Payments and Revenues

1 **I. INTRODUCTION**

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

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

6 **Q. For whom do you work and in what capacity?**

7 A. I am the Supervisor of Energy Supply for Unitil Service Corp. ("USC"). USC
8 provides management and administrative services to Unitil Energy Systems, Inc.
9 ("UES") and Unitil Power Corp. ("UPC").

11 **Q. Please describe your relevant educational and work experience.**

12 A. I received my Bachelor of Arts degree in Economics from the University of
13 Massachusetts. Before joining USC I worked as a Contracting and Transaction
14 Analyst with Mint Energy, a retail electric supplier. My range of responsibilities
15 included contract negotiation with brokers and customers, retail billing, and sales.
16 Prior to Mint Energy, I worked as a data analyst for Energy Services Group. My
17 responsibilities included supplier business transaction testing and integration with
18 regulated utilities. I joined USC in February 2016 as an Energy Analyst with the
19 Energy Contracts department. In January 2019 I was promoted to the position of
20 Senior Energy Analyst and in January 2024, I was promoted to Supervisor, Energy
21 Supply. I have primary responsibilities in the areas of load settlement, renewable
22 energy credit procurement, renewable portfolio standard compliance, default

1 service procurement, market research and operations, and monitoring renewable
2 energy policy.

3

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

6 A. Yes.

7

8 **II. SUMMARY OF TESTIMONY**

9 **Q. Please summarize your testimony in this proceeding.**

10 A. My testimony presents the cost data and explains the reasons for the proposed
11 changes to UES's Stranded Cost Charge ("SCC"), and External Delivery Charge
12 ("EDC"), effective August 1, 2024.

13

14 **III. STRANDED COST CHARGE COSTS**

15 **Q. What costs are included in the SCC?**

16 A. The SCC includes the Contract Release Payments ("CRP") from Unitil Power
17 Corp., charged in accordance with the Amended Unitil System Agreement,
18 approved by both the Commission in Docket No. DE 01-247 and by the FERC.

19

20 Schedule JMP-1, page 1, provides a description of the CRP. Page 2 provides the
21 CRP by month reflecting actual data from August 2022 through May 2024 and
22 estimated data from June 2024 through July 2025.

1

2 **Q. Please describe the Amended Unitil System Agreement.**

3 A. The purpose of the Amended Unitil System Agreement was to restructure UES's
4 power supply in order to implement retail choice. Prior to the implementation of
5 the Amended Unitil System Agreement on May 1, 2003, UES purchased full-
6 requirements power supply from UPC at fully reconciling, cost-of-service rates.

7

8 The Amended Unitil System Agreement provides for termination of power sales
9 from UPC to UES and the payment of UPC's on-going costs by UES. These on-
10 going costs are defined in the Amended Unitil System Agreement as CRP and
11 Administrative Service Charges ("ASC"). UES recovers the CRP through the SCC
12 and the ASC through the EDC. The ASC will be discussed later under the EDC
13 costs.

14

15 **Q. Please describe the CRP.**

16 A. The CRP is calculated in accordance with Appendix 1 of the Amended Unitil
17 System Agreement. The CRP is equal to the sum of the Portfolio Sales Charge, the
18 Residual Contract Obligations, the Hydro-Quebec Support Payments, and True-
19 Ups from Prior Periods. The Portfolio Sales Charge and the Residual Contract
20 Obligations have ended as have a significant portion of the Hydro-Quebec Support

1 Payments¹. The CRP estimates in this filing, therefore, include only the Hydro-
2 Quebec Support Payments still in effect. This is discussed more in detail below.
3

4 The initial term of the Hydro-Quebec Phase II Agreements (“Agreements”) was
5 scheduled to end on October 31, 2020 and required UPC to support the Hydro-Quebec
6 Phase II transmission facilities under those Agreements. These facilities are part of
7 one high-voltage, direct-current (“HVDC”) interconnection between New England and
8 Quebec. UPC has no obligation to support Phase I of these facilities. The costs for
9 maintenance and construction of these facilities are paid by Interconnection Rights
10 Holders (“IRH”) through support agreements between the IRH members and the
11 owners of the HVDC transmission facilities. As discussed below, UPC is no longer a
12 party to those Agreements. However, certain other related Agreements which fund
13 improvements and reinforcements to the New England Power’s AC transmission
14 system in support of the Phase II HVDC transmission line (“AC Facilities Support
15 Agreements”), remain in effect. These include the Boston Edison AC Facilities
16 Support Agreement and the New England Power AC Facilities Support Agreement. As
17 such, the remaining Hydro-Quebec Support Payments include only costs incurred by
18 UPC pursuant to the AC Facilities Support Agreements. As a rights holder in these AC
19 Facilities, UPC receives revenue in the form of payments received from ISO-New

¹ See FERC Docket ER-21-712 Petition for Approval of Offer of Settlement which amends and restates the four Support Agreements and a Use Agreement for the U.S. portion of the 2,000 MW HVDC transmission facilities interconnecting New England and Quebec.

1 England related to OATT Schedule 9 RNS. These revenues serve to offset the expense
2 of the AC Facilities Support Agreements. As discussed below, before the underlying
3 contracts terminated on October 31, 2020, UPC received revenue for short-term sales
4 of transmission rights and capacity rights which offset the expense of the Hydro-
5 Quebec Support Payments.

6

7 The True-ups from Prior Periods reflect any differences in costs resulting from the
8 reconciliation of estimated costs to actual costs under the CRP component of the
9 Amended Unitil System Agreement. The True-ups from Prior Periods also provide
10 for the reconciliation of costs billed to UPC for services purchased in UPC's
11 performance of the Unitil System Agreement, prior to May 1, 2003. The CRP
12 estimates in the current filing reflect no True-ups from obligations prior to May 1,
13 2003.

14

15 **Q. Please provide an estimate of each of the components of the CRP.**

16 A. Details regarding the CRP are provided in Schedule JMP-3. This shows the actual
17 itemized CRP and ASC charges as billed by UPC to UES for the period beginning
18 August 2022 through April 2024 under the Amended Unitil System Agreement.
19 Beginning on page 2 and into page 3 of Schedule JMP-3, estimated CRP and ASC
20 for the 15-month period beginning May 2024 and ending July 2025 are presented.
21 UPC bills UES on estimated data, prior to the beginning of the month of service.
22 These estimates are trued-up to actuals on a two-month lag.

23

Q. Please provide a comparison of the estimated CRP for the upcoming SCC rate period (August 2024 through July 2025) to the projected CRP for the current SCC rate period (August 2023 through July 2024).

A. Table 1 below provides a comparison of the estimated CRP for the upcoming SCC rate period to the projected CRP for the current SCC rate period. At the time of the preparation of this estimate of the CRP, actual CRP expense data was available through April 2024. As such, the projected actual CRP for the current SCC rate period (August 2023 through July 2024) is comprised of nine months of actual data and three months of estimated data.

Table 1. Comparison of Estimated CRP for August 2024 through July 2025 to Projected CRP for August 2023 through July 2024 Unitil Power Corp.				
Line No.	Line Item Description	Aug 2023 - July 2024 9 Months Act. and 3 Months Est.	Aug 2024 - July 2025 Estimate	Variance (Aug 2024 - July 2025 Costs minus Aug 2023 - July 2024 Costs)
1	Portfolio Sales Charge	\$0	\$0	\$0
2	Residual Contract Obligations	\$0	\$0	\$0
3	Hydro-Quebec Support Payments	\$8,182	\$35,079	\$26,897
4	Subtotal (L. 2 through 4)	\$8,182	\$35,079	\$26,897
5	True-up for estimate	\$19,298	\$0	(\$19,298)
6	Obligations prior to May 1, 2003	\$0	\$0	\$0
7	Total Contract Release Payments as billed by Unitil Power Corp.	\$27,480	\$35,079	\$7,599

Q. Has UPC prepared an accounting of the costs and revenues to UPC under the CRP and the ASC?

A. Yes. Schedule JMP-4 provides this accounting for the period beginning August 2022 through April 2024. UPC bills UES estimates of the CRP and ASC on the 25th of the month for the upcoming month. The estimated expenses are trued-up to

1 actual expenses on a two-month lag basis. In order to calculate the true-up, UPC
2 tracks the actual expenses, which comprise both the CRP and the ASC. These
3 actual expenses are compared to the estimated expenses to calculate the true-up for
4 prior period. Schedule JMP-4 provides summary data of actual CRP and ASC
5 expenses and revenues.
6

7 **IV. EXTERNAL DELIVERY CHARGE COSTS**

8 **Q. What costs are included in the EDC?**

9 A. Schedule JMP-2, page 1 provides a description of the costs included in the EDC:

- 10 (a) Third Party Transmission Providers (Eversource Network Integration
- 11 Transmission Service);
- 12 (b) Regional Transmission and Operating Entities;
- 13 (c) Third Party Transmission Providers (Eversource Wholesale Distribution);
- 14 (d) Working Capital Associated with Other Flow-Through Operating Expenses-
- 15 transmission costs only;
- 16 (f) Transmission-Based Assessments and Fees;
- 17 (g) Load Estimation and Reporting System and EDI Communication Costs;
- 18 (h) Unmetered Purchased Power;
- 19 (i) Data and Information Services;
- 20 (j) Legal Charges;
- 21 (k) Consulting Outside Service Charges;
- 22 (l) Administrative Service Charges;
- 23 (m) EDC Portion of the Annual PUC Assessment;
- 24 (n) Net Metering Credits
- 25 (o) Net Metering Costs
- 26 (p) Regional Greenhouse Gas Initiative Auction Proceeds;
- 27 (q) Excess ADIT (2018-2020);
- 28 (r) Working Capital Associated with Other Flow-Through Operating Expenses-
- 29 excluding transmission costs; and
- 30 (s) Displaced Distribution Revenue and Property Tax

31 Items (a), (b), and (c) of the Schedule are discussed below:

1 The Third Party Transmission Providers (Eversource Network Integration
2 Transmission Service) component of the EDC consists of Network Integration
3 Transmission Service taken by UES and provided by the Eversource Energy
4 companies² (“Eversource”) pursuant to Schedule 21-ES of the ISO New England
5 Inc. Transmission, Markets and Services Tariff (FERC Electric Tariff No.3) (“ISO
6 Tariff”).

7

8 The Regional Transmission and Operating Entities component of the EDC consists
9 of all charges from ISO New England Inc. (“ISO”). These charges consist primarily
10 of Regional Network Service, taken pursuant to the ISO Tariff. Other major costs
11 (which are also billed by the ISO to UES) are various ancillary services allocated
12 to transmission customers, such as VAR support, dispatch service, and black-start
13 capability.

14

15 The Third Party Transmission Providers (Eversource Wholesale Distribution)
16 component consists of Distribution Delivery Service (“DDS”) charges with
17 Eversource. DDS compensates Eversource for the wheeling of power from the
18 Eversource transmission system to UES’s distribution system over certain facilities,
19 which are classified as distribution facilities for accounting purposes and, therefore,
20 are not included in the Eversource transmission system rate base.

² Northeast Utilities formerly changed its name and those of all its subsidiaries in January 2015 to Eversource Energy.

1

2 **Q. Please provide the External Delivery cost data, which was utilized in the**
3 **calculation of the EDC.**

4 A. Schedule JMP-2 provides the External Delivery cost data used in the calculation of
5 the EDC. Page 2 provides actual historic External Delivery cost data for the year
6 beginning August 2022 through July 2023. Actual External Delivery cost data for
7 the months of August 2022 through April 2023 was included in UES's last EDC
8 rate and reconciliation filing, Docket No. DE 23-057. In that docket, UES provided
9 estimated External Delivery costs for May 2023 through July 2024. Rather than
10 present partial data beginning with May 2023, UES is presenting the full period.
11 Page 3 of Schedule JMP-2 provides External Delivery cost data for the current EDC
12 rate period, August 2023 through July 2024. Actual cost data is available through
13 April 2024, and estimated cost data is provided for May 2024 through July 2025.
14 Finally, page 4 of Schedule JMP-2 provides estimated External Delivery costs for
15 the upcoming EDC rate period, August 2024 through July 2025.

16

17 **Q. Please provide a comparison of the External Delivery costs for the upcoming**
18 **EDC rate period (August 2024 through July 2025) to the projected External**
19 **Delivery costs for the current EDC rate period (August 2023 through July**
20 **2024).**

21 A. Please refer to Table 2 below for an itemized comparison of estimated External
22 Delivery cost for the upcoming EDC rate period to the projected External Delivery
23 costs for the current rate period.

1

Table 2. Comparison of Estimated External Delivery costs for August 2024 through July 2025 to projected External Delivery costs for August 2023 through July 2024				
Unitil Energy Systems, Inc.				
Line No.	Line Item Description	Aug 2023 - July 2024 9 Months Act. and 3 Months Est.	Aug 2024 - July 2025 Estimate	Variance (Aug 2024 - July 2025 Costs minus Aug 2023 - July 2024 Costs)
(a)	Third Party Transmission Providers (Eversource Network Integration Transmission Service)	\$ 4,365,755.58	\$ 4,491,543.42	\$125,788
(b)	Regional Transmission and Operating Entities (ISO-NE)	\$ 30,282,593.65	\$ 32,102,004.33	\$1,819,411
(c)	Third Party Transmission Providers (Eversource Wholesale Distribution)	\$ 2,670,997.22	\$ 2,725,646.45	\$54,649
(d)	Working Capital associated with Other Flow-Through Operating Expenses-Transmission Costs only	\$ (31,443.34)	\$ (37,578.38)	(\$6,135)
(f)	Transmission-based Assessments and Fees	\$ 10,300.00	\$ 11,000.00	\$700
(g)	Load Estimation and Reporting System Costs	\$ 363,818.29	\$ 385,200.00	\$21,382
(h)	Unmetered Purchased Power	\$ (3,582.18)	\$ -	\$3,582
(i)	Data and Information Services	\$ 15,000.00	\$ 15,000.00	\$0
(j)	Legal Charges	\$ 2,528.75	\$ 2,500.00	(\$29)
(k)	Consulting Outside Service Charges (UES) & OCA Consultant Expense	\$ 112,879.71	\$ 3,500.00	(\$109,380)
(l)	Administrative Service Charges	\$ 3,270.93	\$ 5,102.00	\$1,831
(m)	EDC Portion of the annual PUC Assessment	\$ (353,480.16)	\$ (216,192.00)	\$137,288
(n)	Net Metering Credits	\$ 6,416,335.80	\$ 7,299,933.81	\$883,598
(o)	Net Metering Costs	\$ -	\$ -	\$0
(p)	RGGI Auction Proceeds	\$ (5,552,466.43)	\$ (5,520,000.00)	\$32,466
(q)	Excess ADIT 2018-2020	\$ (881,529.98)	\$ (881,529.98)	\$0
(r)	Working Capital associated with Other Flow-Through Operating Expenses - excluding transmission costs	\$ 51,616.61	\$ 102,106.22	\$50,490
(s)	Displaced Distribution Revenue and Property Tax	\$ 486,337.92	\$ 666,481.00	\$180,143
	Total External Delivery Costs	\$37,958,932	\$41,154,717	\$3,195,785

2

1 **Q. Please explain the projected increase in External Delivery costs for the**
2 **upcoming EDC rate period (August 2024 through July 2025) over the current**
3 **EDC rate period (August 2023 through July 2024).**

4 A. The External Delivery costs for the upcoming EDC rate period are projected to be
5 \$3,195,785 higher than or 8% above the current rate period. The largest contributor
6 to the increased projected costs is associated with Regional Transmission and
7 Operating Entities (ISO-NE) which is projected to be \$1.81M higher than the
8 current period ending July 31, 2024. Forecasted costs are based upon estimated
9 monthly network loads as well as ISO-NE tariffs in effect. The monthly total of
10 tariff rates is higher than the prior period. Effective June 1, 2022, the Company
11 began including the amounts credited to, or paid to, customer generator net
12 metering customers with an excess of 600 kWh banked at the end of the March
13 billing cycle who opt to be credited or paid in accordance with the Puc 900 rules,
14 as well as any monthly amounts credited to, or paid to, large customer generators
15 or group net metering customers including any required annual credit reconciliation
16 in accordance with Puc 900. Forecasted Net Metering Credits are projected to be
17 about \$883K higher than the current period. The increase is due to actual net
18 metering generation from the prior period being lower when compared to the
19 estimate.

20
21 **Q. Describe Unitil's effort to reduce peak demand.**

22 A. Unitil will continue its existing C&I and Residential Active Demand Reduction
23 ("ADR") Pilot offerings to reduce peak demand and capture benefits as quantified

1 in the regional Annual Energy Supply Components study as outlined in Statewide
2 Energy Efficiency Plan³ for the years 2024-2026. The goals of the ADR programs
3 are to flatten peak loads, improve system load factors, and reduce long-term costs
4 for New Hampshire customers. Program offerings include C&I load curtailment
5 which provides an incentive for verifiable shedding of load by participants and
6 residential Wi-Fi thermostat direct load control focused on reducing summer peak
7 demand.

8
9 **Q. What legal charges does UES expect to incur under the EDC?**

10 A. UES estimates that it will incur legal charges of \$2,500 for the upcoming EDC rate
11 period (August 2024 through July 2025). These costs cover the UES portion of the
12 NAESB membership as well as an estimate to cover routine legal costs. Any legal
13 costs associated with procurement of Default Service are recovered through the
14 Default Service Charge.⁴

15
16 **Q. What consulting charges does UES expect to incur under the EDC?**

17 A. UES estimates that it will incur \$3,500 in outside consulting service charges for the
18 upcoming EDC rate period (August 2024 through July 2025). These are estimated
19 costs to the State of New Hampshire and/or OCA consultants.

20

³ DE 23-068, 2024-2026 NH Statewide Energy Efficiency Plan, November 30, 2023.

⁴ This is in accordance with the settlement agreement approved in Docket No. DE 05-064.

1 **Q. Please provide the detail behind the estimate for the Administrative Service**
2 **Charges.**

3 A. Details regarding the ASC are provided in Schedule JMP-3 on lines 10 through 18.
4 The ASC includes any costs incurred by UPC, relative to UPC's obligations under
5 the Amended Unitil System Agreement, which are not otherwise assigned or
6 assumed by UES. These costs include NEPOOL, ISO, and RTO costs, as well as
7 legal, consulting, and other outside services. It does not include any internal costs
8 of USC, UES or UPC. The costs are projected to be higher compared to the prior
9 period as result of interest payments that UPC flows to UES when it bills.

10

11 **Q. Has UES included Regional Greenhouse Gas Initiative (RGGI) rebates in the**
12 **proposed EDC?**

13 A. Yes. UES has included the rebate of excess RGGI auction proceeds applicable to
14 all retail electric customers as a separate line item in the EDC. UES records the
15 rebates in the EDC on the month in which it is received, and applies carrying
16 charges. For the actual period of August 2022 through May 2024, UES has
17 recorded seven rebate amounts totaling \$8,262,475. In accordance with Order No.
18 25,664, UES has included estimates of auction amounts it expects to receive
19 through July 2025 in order to ensure customers receive the credit, or estimate
20 thereof, in a timely manner. These estimates are shown on Schedule JMP-2, Pages
21 3 and 4.

1 **Q. Has UES included in this filing the recovery of the reconciliation of the prior**
2 **year's local property tax recovery included in distribution rates and the actual**
3 **property tax expense for the calendar year?**

4 A. Yes. Per DE 21-069, UES is allowed to recover the reconciliation of the prior year's
5 local property tax recovery included in distribution rates and the actual property tax
6 expense for the calendar year through its EDC. Please see the Testimony and
7 Exhibits prepared by Mr. Daniel T. Nawazelski.

8
9 **V. UPC COSTS AND REVENUES**

10 **Q. Has UPC prepared an accounting of the costs and revenues to UPC under the**
11 **CRP and the ASC?**

12 A. Yes. Schedule JMP-4 provides this accounting for the period beginning August
13 2022 through May 2024. UPC bills UES estimates of the CRP and ASC on the 25th
14 of the month for the upcoming month. The estimated expenses are trued-up to
15 actual expenses on a two-month lag basis. In order to calculate the true-up, UPC
16 tracks the actual expenses, which comprise both the CRP and the ASC. These
17 actual expenses are compared to the estimated expenses to calculate the true-up for
18 prior period. Schedule JMP-4 provides summary data of actual CRP and ASC
19 expenses and revenues. Please refer to Schedule JMP-5 for itemized cost and
20 revenue offsets, related to the Hydro-Quebec Support Payments related to the AC
21 Facilities Support Agreements.

22
23 **VI. CONCLUSION**

1 **R. Does that conclude your testimony?**

2 A. Yes, it does.