

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 24-065**

**UNITIL ENERGY SYSTEMS, INC.**

**2024 Default Service Solicitations**

**Order Approving Petition for August 1, 2024 to January 31, 2025 Rates**

**ORDER NO. 27,020**

**June 14, 2024**

This order authorizes UES to recover the costs of power supply through energy service rates<sup>1</sup> for effect for the six-month period of August 1, 2024, through January 31, 2025. The table below summarizes the updated, reduced rate of 10.506 cents per kilowatt hour (kWh) to be charged to UES Small Customer Group (Residential, Rate “D”) customers on Default Service for these six months. This rate includes a charge of 0.172 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. The RPS costs represent approximately 1.6 percent of the power supply charges for residential customers.

**UES Residential (Rate “D”) Rates (See Hearing Exhibit 4)**

|                      | Effective<br>Date | Power Supply<br>Charge | RPS              | Total kWh<br>Charge |
|----------------------|-------------------|------------------------|------------------|---------------------|
| Prior Year Rate      | 8/1/2023          | \$0.12687              | \$0.00570        | \$0.13257           |
| Current Rate         | 2/1/2024          | \$0.10141              | \$0.00577        | \$0.10718           |
| <b>Proposed Rate</b> | <b>8/1/2024</b>   | <b>\$0.10334</b>       | <b>\$0.00172</b> | <b>\$0.10506</b>    |

The Commission also approves UES's market-based ISO-New England procurement tranche of 10 percent of small and medium customer group load, and

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<sup>1</sup> Bills for customers on default service are composed of three parts: power supply, transmission, and distribution. The energy service rates for default service customers refer to the power supply component only.

associated Tariff features, *see* Hearing Exhibit 3, as initially approved by the Commission in Order No. 26,973 (March 15, 2024), in Docket No. DE 23-054. This order also requires UES to prepare a filing to the Commission delineating how it will accommodate an expanded ISO-New England market-based procurement component for its upcoming February-July 2025 energy service, with further modifications to the proxy-price structure to be included in this proposal.

For a residential customer using 650 kWh per month, the result will be a decrease in the monthly bill from \$151.63 to \$150.26 or about \$1.38 (0.91 percent) less, compared to the six-month period ending July 31, 2024.

The Commission does not administratively set the prices offered by wholesale electricity suppliers operating in the regional ISO-New England market to UES for serving UES's energy service load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where UES endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding and approves the resultant rates under the governing statutory standards.

## **I. BACKGROUND AND POSITIONS**

On June 7, 2024, Unitil Energy Systems, Inc. (UES, or the Company) filed a petition requesting approval of its solicitation and procurement of energy service for: (1) residential (Rate D) customers, or, "small customers"; (2) small commercial (Rate G2) and outdoor lighting (Rate OL) customers, or, collectively, "medium customers"; and (3) large commercial and industrial (Rate G1) customers, or, "large customers." The solicitation process is designed to procure 90 percent of the power supply requirement for the small and medium customer groups, and 100 percent of the power supply requirement for the large customer group, for the six-month period beginning

August 1, 2024 through January 31, 2025. UES selected Constellation Energy Generation, LLC (CEG) as the winning bidder for the residential and small commercial/outdoor lighting customer group (90 percent of load) contracts, *i.e.*, the small and medium customer groups, and NextEra Energy Marketing, LLC (NextEra) for the G1 large commercial and industrial customer group (100 percent of load).

UES filed its petition pursuant to the terms of a settlement agreement approved in Order No. 24,511 (September 9, 2005), as modified by subsequent orders, the most recent being Order No. 26,973. With its petition, *see* Hearing Exhibit 2, UES filed the testimony of Jeffrey M. Pentz, Supervisor of Energy Supply, Linda S. McNamara, Senior Regulatory Analyst, and Daniel T. Nawazelski, Manager of Revenue Requirements, all of whom are personnel with Unitil Service Corp., UES's service-company affiliate.

Certain schedules included in the Company's filings contain information that UES claims is confidential pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07. Hearing Exhibit 1. This material includes the Company's bid evaluation and summary information, renewable energy certificate pricing, and other confidential pricing terms. For this solicitation, the Commission issued, at the Company's request, a Commencement of Adjudicative Proceeding and Notice of Hearing Order on May 28, 2024. The OCA had filed its letter of participation on April 23, 2024. The hearing was held on June 11, 2024 as scheduled, where the Company, the OCA, and the DOE appeared; Messrs. Pentz and Nawazelski, and Ms. McNamara, provided additional oral testimony in support of the Company's petition. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted

on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-065.html>

On May 7, 2024, as described in the testimony of Mr. Pentz, UES issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period August 1, 2024, through January 31, 2025. On May 21, 2024, UES received indicative proposals that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. UES received final bids on June 4, 2024. UES said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to UES to facilitate the transactions, capability of meeting the terms of the Power Supply Agreement (PSA) in a reliable manner, and willingness to enter into contractual terms acceptable to the Company. After completing the bid evaluations, the Company notified the winning bidders.

UES selected CEG as the winning bidder for the small customer (Non-G1) supply requirement (90% share) and medium customer (Non-G1) supply requirement, (90% share), and NextEra as the winning bidder for the large customer (G1) supply requirement (100% share). All three transactions are for a period of six months, commencing on August 1, 2024, and ending on January 31, 2025. With respect to the supply requirements, UES believes that CEG and NextEra each offered the best overall value in terms of price and non-price considerations for their respective supply requirement shares. Schedule JMP-1 of UES's filing contains a more detailed description of the bid evaluation process. See Hearing Exhibit 2, Schedule JMP-1. The Company also attached to Mr. Pentz's testimony the standard PSA and redlined versions of the final PSA's with the winning bidders. (The mechanics of the 10 percent

ISO-New England market-based procurement tranches are discussed at length in Order No. 26,973, and in the Company's testimony, *passim*).

UES included a RPS compliance adder with power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which UES obtains revenue to meet its RPS obligations under RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to purchase qualifying renewable energy certificates (RECs), where one REC represents one megawatt hour of power produced by a qualified renewable generation source. UES issues an RFP twice a year to obtain RECs. UES planned to issue an RFP in the fall of 2024 for the remainder of the Company's 2024 RPS requirements and possibly half of its 2025 requirements. Hearing Exhibit 2, Pentz Testimony, Bates Pages 11-12. Effective with rates on August 1, 2024, the RPS compliance adder will be 0.172 cents per kWh for the small and medium customer groups, a reduction of approximately 0.4 cent from the current RPS adder of 0.577 cents. For the G1/large customer group, the RPS adder will be a credit of (0.315) cents per kWh for the August 2024-December 2024 period, and (0.282) for January 2025. UES based its cost estimates for the RPS adder on current market prices as communicated by brokers of renewable products, recent REC purchases, and Alternative Compliance Payment rates.

As outlined in the testimony of Ms. McNamara, the reductions in default service costs for small and medium group customers are driven by the reduction in the RPS compliance adder for this upcoming rate period, which, in turn, were driven by reconciliation over-collections. Hearing Exhibit 2, McNamara Testimony, at Bates Page 161-162.

UES provided information indicating that expected bill impacts for G1/large customers are unknown because, in the upcoming six-month period, the power supply

charge component of G1 customer bills will be determined monthly based on market prices. Hearing Exhibit 2, McNamara Testimony, at Bates Page 167. UES requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. UES also requested that the price estimates of RECs be included in retail rates. The Company also submitted Tariff changes related to this energy service proposal for the Commission's review, and requested approval of same. Specifically, the Company presented technical modifications to its Tariff made pursuant to Order No. 26,973, Hearing Exhibit 3.

UES also presented certain technical modifications in conjunction with its 2023 Lead Lag Study presented by Mr. Nawazelski, Hearing Exhibit 2, Bates Pages 228-258; *see also* Nawazelski Testimony, Hearing Exhibit 2, Bates Pages 215-227, for review and approval.

Messrs. Pentz and Nawazelski, and Ms. McNamara, of the Company provided oral testimony at the June 11, 2024 hearing to elaborate on the matters discussed in UES's pre-filed testimony. In particular, Mr. Pentz provided a series of responses to Commissioner questions regarding the issue of the Company's new ISO-New England market-based procurement component for the small and medium customer groups. Mr. Pentz confirmed the Commissioners' observation of an ongoing pricing differential between ISO-New England prevailing prices and requirements-contract prices, where the contract prices are significantly higher, and confirmed that UES has the capability of expanding the scope of its market-based procurements, if ordered by the Commission. There was also some discussion between Mr. Pentz and the Commissioners at hearing regarding the potential of a "risk premium" being attached to NYMEX Futures prices, which are used to develop the "proxy price" for the 10-percent market-based tranches for the small and medium customer groups, with Mr.

Pentz agreeing that the existence of such a "risk premium" is likely, though not exactly quantifiable. Mr. Pentz also informed the Commission regarding ongoing movement toward Community Aggregation in UES's service territory (with Plaistow and Concord being prominent recent examples), stating that approximately 70 percent of UES service-territory customers will have migrated to Community Aggregations by the end of 2024, as compared with approximately 28 percent today.

In its closing statement, UES requested that the Commission approve the rates submitted in this instant petition as just and reasonable, and to adopt its 2023 Lead-Lag Study, RPS, and Tariff approaches.

The DOE, in a statement made at hearing, stated that the Commission should accept the 2023 Lead-Lag Study and related analytics submitted by the Company, subject to reconciliation, and that the proposed default service rates should be approved by the Commission.

The OCA stated at hearing that it supported Commission approval of the Company's default service rates as just and reasonable.

## **II. COMMISSION ANALYSIS**

We find that UES's solicitation and bid evaluation process conform with Order No. 24,511, as modified, (most particularly by Order No. 26,973 in relation to the market-based component) for the procurement of power supply for customers taking energy service from UES. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based and just and reasonable. We find UES's selection of CES and NextEra to provide power supply for the three (small, medium, and large) customer groups to be consistent with prior Commission orders. We also find UES's price estimates of RECs, which are reconciled annually, are appropriate and we approve the price estimates for inclusion in retail rates effective August 1, 2024. We also accept

the Company's 2023 Default Service and Renewable Energy Credits Lead Lag Study used in the calculation of the working capital requirements for this Default Service filing, subject to the proviso that they are subject to reconciliation on any further review by DOE, the Commission, and the Company itself. We will also approve the related, proposed Tariff changes presented by UES as just and reasonable, for effect on August 1, 2024.

The Commission again notes that though we have not had regulatory authority over power generation since New Hampshire's utilities divested their interests in generation/power supply assets, the Commission has the ability to oversee the procurement process, to ensure robust competition and therefore help lowering default service prices. With Community Aggregation accelerating, and the wide ongoing pricing differential between requirements contract prices and ISO-New England prevailing market prices, as evidenced by UES's ongoing monthly reporting, the Commission believes it is appropriate to expand the market-based procurement program for the Company. Therefore, the Company shall file, no later than July 25, 2024, a proposal for the Company's upcoming February-July 2025 energy service period that would include the following components: (1) an ISO-New England market-based procurement tranche of at least 30 percent, with no upper bound, for the small and medium customer groups, along the lines approved in Order No. 26,973 and this instant Order, with the following adjustments, and with an explanation of the Company's choice of the given tranche size provided by the Company; (2) a modification wherein the "proxy price" for these market-based procurement tranches would be an average of (a) the four-year rolling weighted average of ISO-New England market prices in the New Hampshire load zone, and (b) the NYMEX futures prices for the upcoming six-month default service period for ISO-New England; (3) discussion by

the Company of the feasibility of expanding an ISO-New England market-based procurement component to the large (G1) customer group. This proposal would be assessed by the Commission in a future phase of this proceeding upon submission by the Company.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the power supply agreements entered into by UES with Constellation Energy Generation, LLC for 90 percent of power supply requirements for Small and Medium (Non-G1) customers; and NextEra Energy Marketing, LLC for 100 percent of power supply requirements for Large G1 customers, all for the six-month period beginning August 1, 2024, are hereby APPROVED; and it is

**FURTHER ORDERED**, that UES's request to recover the costs of the power supply agreements through rates effective with services rendered on and after August 1, 2024, through January 31, 2025, is hereby APPROVED; and it is

**FURTHER ORDERED**, that the UES market-based procurement methodologies and Tariff language (Exhibit 3) presented in its petition for the upcoming default service period are hereby APPROVED; and it is

**FURTHER ORDERED**, that UES is authorized to use the price estimates of renewable energy certificates in its calculation of energy service rates; and it is

**FURTHER ORDERED**, that UES remains authorized to use the results of the updated 2023 lead/lag study in the calculation of rates, subject to any reconciliation; and it is

**FURTHER ORDERED**, that the ancillary related Tariff changes requested by UES in this proceeding are hereby APPROVED, for effect on August 1, 2024; and it is

**FURTHER ORDERED**, that UES shall file with the Commission, no later than July 25, 2024, a proposal for an expanded ISO-New England market-based

procurement approach, as delineated in this Order, for the Company's upcoming February-July 2025 energy service period, to be assessed by the Commission in a future phase of this proceeding; and it is

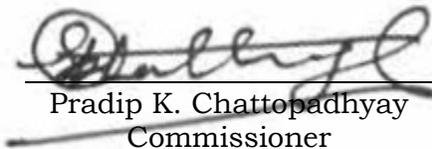
**FURTHER ORDERED**, that UES, for this upcoming default service rate period, is to continue to file in this docket, by the 30<sup>th</sup> day of the following month, a summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for UES's Small and Medium customer groups; and it is

**FURTHER ORDERED**, that UES shall file conforming Tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order, consistent with N.H. Code Admin. Rules, Puc 1603.

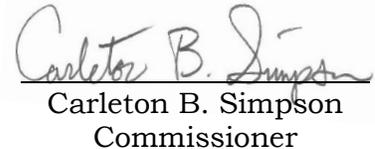
By order of the Public Utilities Commission of New Hampshire this fourteenth day of June, 2024.



Daniel C. Goldner  
Chairman



Pradip K. Chattopadhyay  
Commissioner



Carleton B. Simpson  
Commissioner

# Service List - Docket Related

Docket#: 24-065

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