

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 10-028

March 12, 2010

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LIST OF SCHEDULES

Schedule RSF1: Bid Evaluation Report

Schedule RSF2: Request for Proposals

Schedule RSF-3: Customer Migration Report

Schedule RSF4: RPS Compliance Cost Estimates

1 **I. INTRODUCTION**

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

3 A. My name is Robert S. Furino. My business address is 6 Liberty Lane West,
4 Hampton, NH.

5

6 **Q. What is your relationship with Unitil Energy Systems, Inc.?**

7 A. I am employed by Unitil Service Corp. (the "Service Company") as Director of
8 the Energy Contracts department. The Service Company provides professional
9 services to Unitil Energy Systems, Inc. ("UES").

10

11 **Q. Please briefly describe your educational and business experience.**

12 A. I received my Bachelor of Arts Degree in Economics from the University of
13 Maine in 1991. I joined the Service Company in March 1994 as an Associate
14 DSM Analyst in the Regulatory Services Department and have worked in the
15 Regulatory, Product Development, Finance and Energy Contracts
16 departments. My primary responsibilities involve energy supply acquisition.

17

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

20 A. Yes. I have testified before the Commission on many occasions.

21

22

II. PURPOSE OF TESTIMONY

Q. Please describe the purpose of your testimony.

A. My testimony documents the solicitation process followed by UES in its acquisition of Default Service power supplies (“DS”) for its G1 and Non-G1 customers as approved by the Commission in Order No. 24,511, granting UES’ Petition for Approval of a Default Service Supply Proposal for G1 and Non-G1 Customers and Approval of Solicitation Process as amended by the Settlement Agreement filed with the Commission on August 11, 2005 (the “Order”). With the current RFP, UES has contracted for a 3-month DS power supply for its G1 customers and 25% of DS power supply for Non-G1 customers for two years with service beginning May 1, 2010.

I describe how UES solicited for bids from wholesale suppliers to provide the supply requirements in accordance with the terms of the Order as UES has done in prior DS supply solicitations. I also describe how the proposals received were evaluated and the winning bidders were chosen. Supporting documentation and additional detail of the solicitation process followed is provided in the Bid Evaluation Report (“Report”), attached as Schedule RSF-1. A copy of the RFP as issued is attached as Schedule RSF-2, and an updated Customer Migration Report is attached as Schedule RSF-3. The Customer Migration Report shows monthly retail sales and customer counts supplied by competitive generation, total retail

1 sales and customer counts (the sum of default service and competitive generation)
2 and the percentage of sales and customers supplied by competitive generation.
3 The report provides a rolling 12 month history which covers the period from
4 November 2008 through October 2009.

5 Lastly, RPS Compliance Cost Estimates are included as Schedule RSF-4.
6 My testimony reviews UES' approach to compliance with the Renewable
7 Portfolio Standard (RPS) which went into effect in January 2008. Schedule RSF-4
8 details projected obligations and price assumptions for the coming rate period.
9 The price assumptions listed in Schedule RSF-4 are based on purchase history and
10 current market data.

11

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

13 A. UES requests that the Commission:

- 14 • Find that: UES has followed the solicitation process approved by the
15 Commission; UES' analysis of the bids submitted was reasonable; and UES
16 has supplied a reasonable rationale for its choice of the winning supplier. In
17 addition, UES also seeks approval for a RECs purchase made outside of the
18 RFP process, details of which are provided in Tab A.
- 19 • On the basis of these findings, conclude that the power supply costs resulting
20 from the solicitation are reasonable and that the amounts payable to the seller
21 under the supply agreement are approved for inclusion in retail rates.

- Issue an order granting the approvals requested in UES' Petition on or before March 19, 2010, which is five (5) business days after the date of this filing.

III. SOLICITATION PROCESS

Q. Please discuss the Solicitation Process UES employed to secure the supply agreement for DS power supplies.

A. In the same manner as its prior solicitations for default service supplies, UES conducted an open solicitation in which it actively sought interest among potential suppliers and provided potential suppliers with access to sufficient information to enable them to assess the risks and obligations associated with providing the services sought. UES did not discriminate in favor of or against any individual potential supplier who expressed interest in the solicitation. UES negotiated with all potential suppliers who submitted proposals to obtain the most favorable terms from each potential supplier. The structure, timing and requirements associated with the solicitation are fully described in the RFP issued on February 2, 2010, which is attached as Schedule RSF-2, as well as summarized in the Report attached as Schedule RSF-1.

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

A. UES announced the RFP's availability electronically to all participants in NEPOOL by notifying all members of the NEPOOL Markets Committee via

1 email. UES also announced the issuance of the RFP via email to a list of power
2 suppliers and other entities such as distribution companies, consultants, brokers
3 and members of public agencies who have previously expressed interest in
4 receiving copies of UES's solicitations. UES followed up the email
5 announcements with telephone calls to the power suppliers to solicit their interest.
6 In addition, UES issued a media advisory to the power markets trade press
7 Megawatt Daily on February 3, 2010 announcing the issuance of the RFP.

8
9 **Q. What information was provided in the RFP to potential suppliers?**

10 A. The RFP described the details of UES' DS, the related customer-switching rules,
11 and the form of power service sought. To gain the greatest level of market
12 interest in supplying the load, UES provided potential bidders with appropriate
13 and accessible information. Data provided included historical hourly default
14 service loads and daily capacity tags for each customer group; historical monthly
15 retail sales and customer counts by rate class and supply type; a generic listing of
16 large customers showing sales, peak demands, capacity tag values and supply
17 type; and the evaluation loads, which are the estimated monthly volumes that
18 UES would use to weight bids in terms of price. The hourly load data and
19 capacity tags, retail sales report and large customer data were all updated prior to
20 final bidding. All documents and data files were provided to potential suppliers
21 via UES' corporate website (www.unitil.com/rfp).

1

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

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

10

11 UES selected Hess Corporation (“Hess”) as the supplier for the 3-month G1
12 supply requirement and TransCanada Power Marketing Ltd (“TCPM”) as the
13 supplier for 25% Non-G1 requirement for two years. UES believes that Hess and
14 TCPM offered the best overall value in terms of both price and non-price
15 considerations for the respective supply requirements sought.

16

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

18 A. Schedule RSF-1 contains the Report which further details the solicitation process,
19 the evaluation of bids, and the selection of the winning bidder. The Report
20 contains a narrative discussion of the solicitation process. A confidential section
21 labeled “Tab A” follows the narrative. Tab A includes additional discussion

1 regarding the selection of the winning bidders and presents several supporting
2 exhibits that list the suppliers who participated, the pricing they submitted and
3 other information considered by UES in evaluating final proposals, including the
4 red-lined versions of the final supply agreements. UES seeks protective treatment
5 of all materials in provided in Tab A.

6

7 On the basis of the information and analysis contained in the Report, UES submits
8 that it has complied with the Commission's requirements set forth in the Order,
9 and that the resulting DS power supply costs are reasonable and that the amounts
10 payable to the sellers under the supply agreements should be approved for
11 inclusion in retail rates.

12

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

15 A. UES' next default service solicitation will be for one hundred percent (100%) of
16 G1 supplies for a three-month period, beginning August 1, 2010. UES plans to
17 issue an RFP for these supplies on May 11, 2010, with a filing for approval of
18 solicitation results planned for June 11, 2010 and approval anticipated on June 18,
19 2010.

20

21 **III. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

1 **Q. Please review the method by which UES intends to comply with the**
2 **Renewable Portfolio Standard (“RPS”) requirements.**

3 A. . For 2009 compliance, UES has completed the first of two RFPs for RECs under
4 which it purchased approximately fifty percent of its 2009 REC obligations. UES
5 issued its second REC RFP, which seeks the balance of its 2009 REC obligations,
6 on March 4, 2010. UES plans to follow the same format for 2010 compliance by
7 issuing the first RFP for 50% of its 2010 REC obligations on October 11, 2010.
8 In addition, UES has also made one REC purchase toward its 2009 RPS
9 requirements outside of the RFP process and seeks approval of this transaction in
10 this filing.
11

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

13 A. The current solicitation is for default service power supply during 2010. To
14 comply with RPS requirements for the months of 2010 associated with the
15 supplies that have been procured as a result of the current RFP, UES will need to
16 provide Class I RECs for 1.0 percent of sales; Class II RECs for 0.04 percent of
17 sales; Class III RECs for 5.5 percent of sales; and Class IV RECs for 1.0 percent
18 of sales. UES currently estimates the cost of Class I RECs at \$29.00; Class II
19 RECs at \$55.00; Class III RECs at \$27.00; and Class IV RECs at \$26.00. These
20 values were derived from broker sheets published by renewable energy brokers
21 and from the bidding activity under UES’ recent REC RFP, which was concluded

1 in late November, with reference to changes in percentage obligations from 2009
2 to 2010 for each Class as well as expected alternative compliance prices.

3

4 **V. CONCLUSION**

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

6 **A.** Yes, it does.