

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 11-028

March 11, 2011

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LIST OF SCHEDULES

Schedule RSF-1: Bid Evaluation Report

Schedule RSF-2: Request for Proposals

Schedule RSF-3: Customer Migration Report

Schedule RSF-4: RPS Compliance Cost Estimates

Schedule RSF-5: Historical Pricing by Customer Group

Schedule RSF-6: RSO Program Update

Schedule RSF-7: RSO Rate Calculation and Bill Impacts

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

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

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

4
5 **II. PURPOSE OF TESTIMONY**

6 **Q. Please describe the purpose of your testimony.**

7 A. My testimony documents the solicitation process followed by UES in its
8 acquisition of Default Service power supplies ("DS") for its G1 and Non-G1
9 customers as approved by the Commission in Order No. 24,511, granting UES'
10 Petition for Approval of a Default Service Supply Proposal for G1 and Non-G1
11 Customers and Approval of Solicitation Process as amended by the Settlement
12 Agreement filed with the Commission on August 11, 2005 (the "Order"). With
13 the current RFP, UES has contracted for a three-month DS power supply for its
14 G1 customers and 25% of DS power supply for Non-G1 customers for 24 months
15 (2 years). Service begins for both contracts on May 1, 2011.

16

17 I describe how UES solicited for bids from wholesale suppliers to provide the
18 supply requirements in accordance with the terms of the Order as UES has done

1 in prior DS supply solicitations. I also describe how the proposals received were
2 evaluated and the winning bidder was chosen. Supporting documentation and
3 additional detail of the solicitation process followed is provided in the Bid
4 Evaluation Report ("Report"), attached as Schedule RSF-1. A copy of the RFP as
5 issued is attached as Schedule RSF-2, and an updated Customer Migration Report
6 is attached as Schedule RSF-3. The Customer Migration Report shows monthly
7 retail sales and customer counts supplied by competitive generation, total retail
8 sales and customer counts (the sum of default service and competitive generation)
9 and the percentage of sales and customers supplied by competitive generation.
10 The report provides a rolling 12-month history which covers the period from
11 February 2010 through January 2011.

12
13 Renewable Portfolio Standard ("RPS") Compliance Cost Estimates are included
14 as Schedule RSF-4. My testimony reviews UES' approach to compliance with
15 the RPS which went into effect in January 2008. Schedule RSF-4 details
16 projected obligations and price assumptions for the coming rate period. The price
17 assumptions listed in Schedule RSF-4 are based on recent market data. Schedule
18 RSF-5 provides historical price data by customer group that is no longer subject
19 to confidential treatment. This schedule provides pricing histories associated with

1 the most recent 3-month rate periods for G1 customers or 6-month rate periods for
2 non-G1 customers for which all pricing is currently subject to the Federal Energy
3 Regulatory Commission's ("FERC") quarterly reporting requirements. Schedule
4 RSF-6 provides an update on the Renewable Source Option ("RSO") program
5 participation and activity to date. Lastly, RSF-7 provides Renewable Source
6 Option Charge (RSOC) Rate Calculations and Estimated Bill Impacts.

7

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

9 A. UES requests that the Commission:

- 10 • Find that: UES has followed the solicitation process approved by the
11 Commission; UES' analysis of the bids submitted was reasonable; and UES
12 has supplied a reasonable rationale for its choice of the winning suppliers.
- 13 • Find that price estimates of renewable energy certificates ("RECs") proposed
14 by UES, based on actual purchases or current market prices, are appropriate
15 for inclusion in retail rates.
- 16 • On the basis of these findings, conclude that the power supply costs resulting
17 from the solicitation are reasonable and that the amounts payable to the sellers
18 under the supply agreement are approved for inclusion in retail rates.

- 1 • Find that proposed RSOC rates for the 6-month period beginning May 1,
2 2011, are reasonable and approved.
- 3 • Issue an order granting the approvals requested in UES' Petition on or before
4 March 18, 2011, which is five (5) business days after the date of this filing.

5

6 **III. SOLICITATION PROCESS**

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

9 A. In the same manner as its prior solicitations for default service supplies, UES
10 conducted an open solicitation in which it actively sought interest among potential
11 suppliers and provided potential suppliers with access to sufficient information to
12 enable them to assess the risks and obligations associated with providing the
13 services sought. UES did not discriminate in favor of or against any individual
14 potential supplier who expressed interest in the solicitation. UES negotiated with
15 all potential suppliers who submitted proposals to obtain the most favorable terms
16 from each potential supplier. The structure, timing and requirements associated
17 with the solicitation are fully described in the RFP issued on February 1, 2011,
18 which is attached as Schedule RSF-2, as well as summarized in the Report
19 attached as Schedule RSF-1.

1

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

3 A. UES announced the electronic availability of the Request for Proposal ("RFP") to
4 all participants in NEPOOL by notifying all members of the NEPOOL Markets
5 Committee via email. UES also announced the issuance of the RFP via email to a
6 list of power suppliers and other entities such as distribution companies,
7 consultants, brokers and members of public agencies who have previously
8 expressed interest in receiving copies of UES' solicitations. UES followed up the
9 email announcements with telephone calls to the power suppliers to solicit their
10 interest. In addition, UES issued a media advisory to the power markets trade
11 press announcing the issuance of the RFP. The announcement was carried by
12 *Megawatt Daily* on February 3, 2011.

13

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

15 A. The RFP described the details of UES' DS, the related customer-switching rules,
16 and the form of power service sought. To gain the greatest level of market
17 interest in supplying the load, UES provided potential bidders with appropriate
18 and accessible information. Data provided included historical hourly default
19 service loads and daily capacity tags for each customer group; historical monthly

1 retail sales and customer counts by rate class and supply type; a generic listing of
2 large customers showing annual sales, peak demands, and capacity tag values as
3 well as supply type (default service or competitive generation); and the evaluation
4 loads, which are the estimated monthly volumes that UES would use to weight
5 bids in terms of price. The hourly load data, capacity tags, historical monthly
6 retail sales and customer counts by rate class and supply type were updated prior
7 to final bidding. All documents and data files were provided to potential suppliers
8 via UES' corporate website (www.unitil.net/rfp).

9

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

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

18

1 UES selected DTE Energy Trading, Inc. (“DTE”) as the supplier for the three-
2 month G1 supply requirement and Constellation Energy Commodities Group
3 (“Constellation”) for the 24-month non-G1 supply requirement (25% share).
4 UES believes that DTE and Constellation offered the best overall value in terms
5 of both price and non-price considerations for the supply requirements sought.
6

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

8 A. Schedule RSF-1 contains the Report which further details the solicitation process,
9 the evaluation of bids, and the selection of the winning bidder. The Report
10 contains a narrative discussion of the solicitation process. A confidential section
11 labeled “Tab A” follows the narrative. Tab A includes additional discussion
12 regarding the selection of the winning bidders and presents several supporting
13 exhibits that list the suppliers who participated, the pricing they submitted and
14 other information considered by UES in evaluating final proposals, including red-
15 lined versions of the final supply agreements. UES seeks protective treatment of
16 all materials provided in Tab A.

17

18 On the basis of the information and analysis contained in the Report, UES submits
19 that it has complied with the Commission’s requirements set forth in the Order,

1 and that the resulting DS power supply costs are reasonable and that the amounts
2 payable to the sellers under the supply agreements should be approved for
3 inclusion in retail rates.
4

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

7 A. UES' next default service solicitation will be for one hundred percent (100%) of
8 G1 supplies for a three-month period beginning August 1, 2011. UES plans to
9 issue an RFP for these supplies on May 10, 2011, with a filing for approval of
10 solicitation results planned for June 10, 2011 and approval anticipated by June 17,
11 2011.
12

13 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

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

16 A. In accordance with the settlement agreement dated July 16, 2009, UES issues two
17 REC RFPs annually, each for approximately 50% of its REC obligations. In
18 addition, UES may make REC purchases outside of the RFP process when it finds

1 it advantageous to do so. For 2010 RPS compliance, UES completed its second
2 REC RFP on February 15, 2011. Tab A includes an exhibit summarizing UES'
3 REC purchases for 2010 compliance.

4

5 **Q. Please describe UES' estimates of RPS compliance costs.**

6 A. The current solicitation is for default service power supplies to be delivered
7 during beginning May 2011. Schedule RSF-4 lists the percentage of sales and the
8 resulting REC requirement for each class of RECs for RPS compliance along with
9 UES' cost estimates the period beginning May 2011. UES' cost estimates are
10 based on both current market prices as communicated by brokers of renewable
11 products and recent purchases of 2010 vintage RECs.

12

13 **V. RENEWABLE SOURCE OPTION UPDATE**

14 **Q. Please briefly describe UES' RSO program which was approved by the**
15 **Commission on May 7, 2010 in docket, DE 09-224.**

16 A. The RSO Program, which the company is marketing to customers as the Green
17 Neighbor Program, is an optional service that allows Domestic and Regular
18 General Service default service customers who are not receiving payment

1 assistance to financially support renewable generation. Through the program,
2 customers may choose to have 25 percent, 50 percent or 100 percent of their
3 consumption matched with purchases of Class I and Class II RECs. These REC
4 purchase obligations are incremental to UES' RPS obligations. Customers who
5 choose to participate are billed an additional charge – the Renewable Source
6 Option Charge ("RSOC"), per Schedule RSO of the Company's tariff, based on
7 the level of participation chosen.

8
9 With each default service filing, UES provides an update on program activity,
10 which is provided in Schedule RSF-6. With each non-G1 default service filing,
11 UES reviews its RSOC rates and proposes new RSOC rates as appropriate for
12 each of the three options available. Since the current filing includes non-G1
13 supplies, changes to the RSOC rates are proposed, along with estimated bill
14 impacts, which are provided as Schedule RSF-7.

15

16 **Q. Please describe UES' ongoing efforts to market the RSO program.**

17 A. UES continues to promote participation in the RSO program. The Company's
18 Interactive Voice Response messaging has featured the RSO program (marketed
19 as the Green Neighbor Program) since the program kick off in early September

1 and will run through March 2011. UES continues to have magnetic signs
2 advertising the program on its electric service vehicles. UES also continues to
3 monitor and update its Facebook page for the program.

4

5 **Q. Please provide a summary of RSO program participation to date.**

6 A. Schedule RSF-6 provides the number of customers participating in the program
7 by rate class and RSO option chosen, along with kilowatt-hour consumption and
8 revenue by program option, rate class and billing month. A projection of Class I
9 and Class II RECs that will be purchased as a result of the RSO program is also
10 included in Schedule RSF-6.

11

12 **VI. CONCLUSION**

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

14 A. Yes, it does