

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

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New Hampshire Public Utilities Commission

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LIST OF SCHEDULES

Schedule LSG-1: Bid Evaluation Report

Schedule LSG-2: Request for Proposals

Schedule LSG-3: Customer Migration Report

Schedule LSG-4: RPS Compliance Cost Estimates

Schedule LSG-5: Historical Pricing by Customer Group

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Lisa S. Glover. My business address is 6 Liberty Lane West, Hampton, NH 03842.

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

A. I am employed by Unitil Service Corp. ("USC") as a Senior Energy Analyst. USC provides management and administrative services to Unitil Energy Systems, Inc. ("UES") and Unitil Power Corp. ("UPC").

Q. Please briefly describe your educational and business experience.

A. I received my Bachelor of Science degree in Environmental Science from the University of Massachusetts and a Master of Public Administration degree at Norwich University. I joined USC in February 2003 as an Energy Efficiency Program Analyst with Customer Energy Solutions. In May 2014 I moved into my current position as a Senior Energy Analyst with Energy Contracts. I have primary responsibilities in the areas of long-term renewable energy contract procurement; default service procurement, administration, and budgeting; market operation and reporting; and Renewable Portfolio Standard compliance.

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

1 A. Yes. I have testified before the Commission, most recently in UES's Stranded Cost
2 Recovery and External Delivery Charge Reconciliation and Rate Filing, Dockets and
3 UES's Default Service Solicitation proceedings

4 **II. PURPOSE OF TESTIMONY**

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

6 A. This testimony documents the solicitation process followed by UES in its acquisition
7 of Default Service power supplies ("DS") for its G1 and Non-G1 customers as
8 approved by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order")
9 granting UES's Petition for Approval of Revisions to its Default Service Solicitation
10 Process for G1 and Non-G1 Customers. With the current Request for Proposal
11 ("RFP"), UES has contracted for a six-month default service power supply for 100%
12 of its small customer group (Non-G1); 100% of its medium customer group (Non-G1);
13 and 100% of its large customer group (G1) service requirements. Service begins on
14 December 1, 2018.

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

16 Supporting documentation and additional detail of the solicitation process is provided
17 in the Bid Evaluation Report ("Report"), attached as Schedule LSG-1. The structure,
18 timing and requirements associated with the solicitation are fully described in the RFP
19 issued on August 28, 2018 and is attached as Schedule LSG-2. An updated Customer
20 Migration Report is attached as Schedule LSG-3. The Customer Migration Report
21 shows monthly retail sales and customer counts supplied by competitive generation,

1 total retail sales and customer counts (the sum of default service and competitive
2 generation) and the percentage of sales and customers supplied by competitive
3 generation. The report provides a rolling 13-month history which covers the period
4 from August 2017 through August 2018. Renewable Portfolio Standard ("RPS")
5 Compliance Cost Estimates are included as Schedule LSG-4. My testimony reviews
6 UES's approach to compliance with the RPS which went into effect in January 2008.
7 Schedule LSG-4 details projected obligations and price assumptions for the coming
8 rate period. The price assumptions are based on recent market data information and
9 alternative compliance payment prices. Lastly, Schedule LSG-5 provides historical
10 price data by customer group that is no longer subject to confidential treatment. This
11 schedule provides pricing histories associated with the most recent six-month rate
12 periods for Non-G1 and G1 customers for which all pricing is currently subject to the
13 Federal Energy Regulatory Commission's quarterly reporting requirements.

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

15 A. UES requests that the Commission:

- 16 • Find that: UES has followed the solicitation process approved by the Commission;
17 UES's analysis of the bids submitted was reasonable; and UES has supplied a
18 reasonable rationale for its choice of the winning suppliers.
- 19 • Find that: the price estimates of renewable energy certificates ("RECs") proposed
20 by UES, which are based on actual purchases or current market prices and
21 information, are appropriate for inclusion in retail rates.

- 1 • On the basis of these findings, conclude that the power supply costs resulting from
2 the solicitation are reasonable and that the amounts payable to the sellers under the
3 supply agreements are approved for inclusion in retail rates.
- 4 • Issue an order granting the approvals requested herein on or before October 5,
5 2018, which is five (5) business days after the date of this filing.

6 **III. SOLICITATION PROCESS**

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

9 A. UES conducted an open solicitation in which it actively sought interest among
10 potential suppliers to provide load-following power supply to its Default Service
11 customers. UES provided bidders with appropriate information to enable them to
12 assess the risks and obligations associated with providing supply services. UES did
13 not discriminate in favor of or against any individual potential supplier who expressed
14 interest in the solicitation. UES negotiated with all potential suppliers who submitted
15 proposals to obtain the most favorable terms from each potential supplier. The
16 structure, timing and requirements associated with the solicitation are fully described
17 in the RFP issued on August 28, 2018. This is attached as Schedule LSG-2 and is
18 summarized in the Bid Evaluation Report attached as Schedule LSG-1.

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

20 A. UES announced the electronic availability of the RFP to a list of power suppliers and
21 other entities such as distribution companies, consultants, brokers, and members of

1 public agencies who have previously expressed interest in receiving notices of UES'
2 solicitations. The RFP was also distributed to all members of the NEPOOL Markets
3 Committee and Participants Committee. As a result, the RFP had wide distribution
4 throughout the New England supply marketplace. UES followed up the E-mail
5 solicitation with outreach to power suppliers to solicit their interest in bidding on any
6 and all customer classes.

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

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

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

19 A. UES evaluated the bids on both quantitative and qualitative criteria, including price,
20 market conditions, creditworthiness, willingness to extend adequate credit to UES to
21 facilitate the transaction, capability of performing the terms of the RFP in a reliable

1 manner and the willingness to enter into contractual terms acceptable to UES. UES
2 compared the pricing strips proposed by the bidders by calculating weighted average
3 prices for the supply requirement using the evaluation loads that were issued with the
4 RFP.

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

6 A. Overall, pricing submitted for the Small and Medium classes (Non-G1) for the
7 upcoming period from December 1, 2018 – May 31, 2019 is 20% higher than the same
8 period a year ago and nearly 46% higher than the previous 6-month period from June
9 1, 2018 to November 30, 2018. Pricing for the Large customer class (G1) adder is 9%
10 higher than the previous 6-month period and 20% higher than the same period a year
11 ago. Bid prices continue to include a larger proportion of non-energy costs related to
12 an increase in capacity prices brought on by the need to replace retiring generators.
13 Capacity auction clearing prices first spiked in June 2017 at \$7.03/KW-month for
14 FCA 8 and then again in June 2018 for FCA 9 at \$9.55/KW-month. Capacity clearing
15 prices will decrease in June 2019 for FCA 10 down to \$7.03/KW/month. Considering
16 these market conditions, the company determined that the pricing submitted was fair
17 and competitive.

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

19 A. UES selected NextEra Energy Marketing LLC (“NextEra”) as the winning bidder for
20 the small customer (Non-G1) supply requirement (100% share), the medium customer
21 (Non-G1) supply requirement (100% share), and for the large customer (G1) supply

1 requirement (100% share). All three transactions are for a period of six months. UES
2 believes that NextEra offered the best overall value in terms of both price and non-
3 price considerations for the supply requirements sought.

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

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

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

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

18 A. UES followed up with a number of suppliers early in the process to solicit and gauge
19 supplier interest. Bidder response for this solicitation was up over the prior
20 solicitation. The Company followed up with suppliers who have actively participated
21 in prior solicitations, but who did not submit bids for this solicitation. The sentiment

1 from one supplier who has served UES load in the past is that bidding on winter load
2 presents too much financial risk due to uncertainty of winter electricity prices. Another
3 supplier who has served UES load previously has stopped participating in all default
4 service auctions in New England due to the risks mentioned above. One supplier, who
5 encountered staffing issues in the last RFP, participated in the current RFP and
6 submitted final bids. Another supplier who has expressed ongoing interest in
7 participating in the RFP continues to face difficulties in staffing and therefore has been
8 unable to participate. The response from suppliers bidding an add-on charge for the
9 G-1 large load continues to be limited. Feedback from bidders is that the large load
10 class is too small to serve. Additionally, large customer migration to a third party
11 supplier is a concern for some bidders. The Company will continue to reach out to
12 suppliers to encourage their participation in its solicitation process.

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

15 A. Similar to the current solicitation, UES's next default service solicitation will be for
16 one hundred percent (100%) of the small, medium and large customer supply
17 requirements for a six-month period. Delivery of supplies will begin on June 1, 2019.
18 UES plans to issue an RFP for these supplies on March 5, 2019, with a filing for
19 approval of solicitation results planned for April 5, 2019 and approval anticipated by
20 April 12, 2019.

IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE

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

A. In accordance with the settlement agreement dated July 16, 2009 (DE. 09-009) and as amended on December 6, 2011, UES will conduct two REC RFPs during each compliance year to obtain Existing RECs and/or Forward RECs to meet 100% of its projected REC obligations. In addition, UES may make REC purchases outside of the RFP process when it finds it advantageous to do so. To meet its 2018 RPS compliance requirements, UES issued an RFP in January 2018 for approximately half of its 2018 RPS requirements. UES plans on issuing a second RFP in January 2019 during the 2018 GIS trading period, seeking to satisfy the remainder of its unfilled requirements. UES also made additional REC purchases outside of the RFP process. Tab A includes an exhibit summarizing UES's REC purchases for RPS compliance.

Q. Please describe UES's estimates of RPS compliance costs.

A. The current solicitation is for default service power supplies to be delivered beginning December 1, 2018. Schedule LSG-4 lists the percentage of sales and the resulting REC requirement for each class of RECs for RPS compliance along with UES's cost estimates for the period beginning December 1, 2018. UES's cost estimates are based on current market prices as communicated by brokers of renewable products, recent purchases of RECs, and alternative compliance payment rates.

1 **Q. Does UES's estimate of RPS costs incorporate the latest RPS requirements for**
2 **2018 and 2019?**

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

NH Renewable Portfolio Standards: 2018					
Calendar Year	Class I *	Class I Thermal	Class II	Class III	Class IV
2018	8.70%	1.50%	0.30%	8.00%	1.50%
2019	9.60%	1.4%	0.6%	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 for 2018 is 7.2% and for 2019 is 8.2%.					

8 Schedule LSG-4 RPS Compliance Costs Estimates incorporates the latest RPS
9 requirements shown here.

10 **VII. CONCLUSION**

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

12 **A.** Yes.