

**STATE OF NEW HAMPSHIRE
BEFORE THE NEW
HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DE 23-054
Unitil Energy Systems, Inc.
2023 Default Service Procurement
Direct Market Procurement of a Portion of Default Energy Service per Order No. 26,910**

Technical Statement of Stephen R. Eckberg, Utility Analyst
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The New Hampshire Department of Energy (“DOE”) has reviewed the proposal of Unitil Energy Systems, Inc, (“UES” or “Company”) made on January 22, 2024 for a direct ISO-New England (ISO-NE) market-based procurement tranche of ten to twenty percent of its small and medium customer group energy requirement. The Company’s proposal was submitted in compliance with the Public Utilities Commission’s Order 26,910 issued December 8, 2023. *See* Order at 9-10.

Summary

As described herein, in the opinion of DOE, the Company’s proposal complies with the Public Utilities Commission’s (PUC’s) directive for direct market procurement of ten percent of small customer load and to incorporate costs of doing so in its default energy service rate as proposed in the Company’s filing. The DOE provides comments below, and if the Commission determines it will approve Unitil’s proposal for direct market procurement, we recommend approval for only the six-month period as an experiment only.

Further, the methodology proposed to include the forward estimated costs of self-procured energy together with the costs derived from the Company’s traditional RFP process and continue to provide the small customer group with an all-in fixed price for each six-month period is reasonable. The Company proposes to reconcile the forward estimated costs of the self-procured energy with the actual hourly costs of that energy procured and settled in ISO-NE’s Real Time (RT) market and include that total reconciliation amount in the Company’s subsequent energy service reconciliation of costs. The DOE believes that this is an acceptable approach to cost reconciliation.

DOE’s Analysis and Recommendation

The DOE has reviewed UES’s proposal to procure 10% of its small customer (non-G1) energy requirements through direct purchase of that energy through ISO-NE’s RT market and to reconcile the actual costs of that energy against a forward estimate of such costs which it will include in the calculation of its fixed price of default energy service for the upcoming six-month period beginning August 1, 2024. The Company proposes to include the reconciled costs of this 10% self-procured tranche of default energy service in its next scheduled reconciliation which would be in June 2025.

The DOE issued data requests to the Company to gather additional information and clarification on certain points of the proposal. A virtual Technical Session was held to discuss the Company’s responses and

other aspects of the proposal. The Office of Consumer Advocate participated in the Technical Session. Mr. Clifton Below, representing the Community Provider Coalition of New Hampshire, which filed for intervention in the docket, also attended the session.

The DOE agrees with the statement made in the testimony of Company witnesses Pentz and McNamara at page 4 where they state “Market based procurements expose UES customers to [energy prices in the] real-time market. The real-time market in the ISO-NE marketplace can be volatile, especially in the winter.” This is an accurate portrayal of potential electric market price volatility here in the ISO-NE area winter months. A significant portion of New England electricity is generated with natural gas and during periods of extreme and/or extended cold weather, natural gas prices can spike, causing corresponding spikes in market prices for electricity.

While UES’s market procurement proposal would not immediately expose its small customer group to any such price volatility in real-time, those customers will be financially responsible for the actual energy costs through the energy service cost reconciliation process. The Company states that it “...does not expect reconciliations to have a significant impact on future period default service rates since direct purchase will represent only 10% of the cost of serving load.” The DOE generally agrees with the Company’s testimony in this regard. As the Company’s procurement proposal has customers continuing to pay a fixed six-month rate, if the portion of load acquired through such direct market participation was greater, there would be a correspondingly greater risk of over- or under- collections, which would then be collected through reconciliation.

The DOE believes that this Commission directed utility self-procurement of a portion of small customer load should be considered an experiment only. It is unclear what specific data, information or experience the experiment is designed to collect. It may be that each utility gains useful experience in such self-procurement as a result of this experiment. However, the DOE believes that any such experience gained should be held in reserve as a contingency only to be used in the event of a future failed RFP procurement process.

The DOE recommends that if the Commission approves the Company’s self-procurement process as filed or in a modified form, it should do so only for the upcoming six-month rate period. Following that six-month period, the DOE recommends that there should be a period of at least twelve months for the Commission and parties to review lessons learned, analyze the experience and any relevant data, and to discuss whether further direct market procurement experiments are appropriate or warranted.

Conclusion

In conclusion, the DOE recommends that if the Commission approves the Company’s proposal to procure 10% of the Company’s energy for its small and medium customer groups (non-G1) via direct purchase and settlement in the ISO-NE Real Time energy market for the Company’s next energy service period of August 2024 – January 2025 that it do so only for this upcoming period.

The DOE’s suggestions regarding the Company proposal should not be considered as open-ended support for ongoing direct market procurement of this, or any, portion of the Company’s default energy service requirements.