

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-028

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Default Service Solicitation and Resulting Rates for Large
Commercial and Industrial Customers for February through April 30, 2012**

Order Approving Solicitation, Bid Evaluations and Resulting Rates

ORDER NO. 25,303

December 15, 2011

APPEARANCES: Gary M. Epler, Esq., on behalf of Unitil Energy Systems, Inc.; and Suzanne G. Amidon, Esq., on behalf of the Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On December 9, 2011, Unitil Energy Systems, Inc. (UES or Company) filed a petition requesting approval of its solicitation and procurement of default service for its large commercial and industrial (G1) customers for the three month period from February 1 through April 30, 2012, and of the resulting default service rates. In support of its petition, UES filed the testimony of Todd M. Bohan and Linda S. McNamara, a redacted bid evaluation report (Schedule TMB-1), a copy of the request for proposals (RFP) for default service (Schedule TMB-2) and proposed tariffs. With its petition, UES also included its quarterly customer migration report and a motion for confidential treatment of certain information in the filing. UES stated that with the proposed February 2012 energy service rates, the overall bill¹ impacts for G1 customers are decreases ranging from 10.9% to 13.3% compared with bills for November 2011.

¹ UES bills include charges for distribution service, external delivery service, stranded costs, storm recovery adjustment, system benefits and default service.

UES filed the petition pursuant to the terms of the settlement agreement approved by the Commission in *Unitil Energy Systems, Inc.*, Order No. 24,511 (September 9, 2005) 90 NH PUC 378. Pursuant to the terms of that agreement, UES solicits default service supply for its G1 customers on a quarterly basis in three-month blocks and establishes fixed monthly prices that vary from month to month.

UES issued the RFP on November 8, 2011. Suppliers submitted indicative bids to UES on November 29, 2011 and final bids were received on December 6, 2011. On December 6, 2011, UES selected DTE Energy Trading, Inc. (DTE) to provide G1 default service power supply for the three month period of February 1 through April 30, 2012. UES stated that it followed the solicitation and bid evaluation process set forth in the settlement agreement and that its analysis of the bids and choice of suppliers is reasonable. UES also filed a motion for confidential treatment to protect the wholesale prices, bid evaluation, forecast market prices for energy and the amendment to the existing Power Sales Agreement with DTE. In addition, on December 6, 2011, UES filed in Docket No. DE 09-009 (its 2009 default service proceeding) a modification of the settlement agreement between UES and Staff and approved by the Commission in Order No. 25,011 (September 4, 2009) regarding UES's procurement of renewable portfolio standard (RPS) compliance.

Staff filed a memorandum on November 18, 2011 recommending that the Commission approve UES's 2010 Lead Lag Study filed on March 11, 2011 and to allow the results to be included in rates on a fully reconcilable basis. On December 12, 2011, the Commission issued a secretarial letter scheduling a hearing for December 14, 2011, which was held as noticed.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil Energy Systems, Inc.

UES stated that, consistent with the 2005 settlement agreement, it conducted an open solicitation process, actively sought interest among potential suppliers, and provided access to sufficient information to enable potential suppliers to assess the risks and obligations associated with providing the services sought. UES reported that it achieved market notification of the RFP by electronically notifying all members of the New England Power Pool Markets Committee. UES affirmed that it also announced the issuance of the RFP to a list of power suppliers and other entities such as distribution companies, consultants, brokers and members of public agencies that had previously expressed interest in receiving notices of solicitations. In addition, UES issued a media advisory to the power market trade press announcing the RFP.

UES stated that it provided potential bidders with appropriate and accessible information in order to gain the greatest level of market interest. According to its filing, UES's historic hourly load, historic monthly retail sales and customer counts, large customer concentration data and the evaluation loads, which are estimated monthly volumes that UES would use to weight bids in terms of price, were made available to potential bidders via UES's web site. Consistent with Order No. 24,921 (December 12, 2008) 93 NH PUC 594 in Docket No. DE 08-015, UES's 2008 default service proceeding, UES solicited only all-inclusive energy and capacity bids.

According to UES, it did not discriminate in favor of or against any individual potential supplier that expressed interest in the solicitation. UES said that it negotiated with all potential suppliers that submitted proposals in order to obtain the most favorable terms each supplier was willing to offer.

UES testified that it evaluated the indicative bids using both quantitative and qualitative criteria including price, creditworthiness, willingness to extend adequate credit to UES, ability to meet the terms of the RFP in a reliable manner, and willingness to enter into contractual terms acceptable to UES. To evaluate bids, UES said it compared the pricing strips proposed by each of the bidders by calculating weighted average prices for each supply requirement using evaluation loads that were issued along with the RFP.

The Company testified that it determined that DTE offered the best overall value in terms of both price and non-price considerations for the supply requirements and selected it as the winning bidder. On December 7, 2011, UES and DTE executed an amendment to the master Power Sales Agreement (PSA) for the power supply for G1 customers for the period February 1 through April 30, 2012.²

To meet RPS requirements for February 1, through April 30, 2012, UES said it will need to provide Class I (new renewable resources) renewable energy certificates (RECs) for 3.0% of sales, Class II (solar resources) RECs for 0.15% of sales, Class III (existing biomass resources) RECs for 6.5% of sales, and Class IV (existing small hydro resources) RECs for 1.0% of sales. In developing the RPS adder costs for these months, UES estimated the cost based on cost estimates for RECs on current market prices as communicated by brokers of renewable products and recent purchases of 2011 vintage RECs.

Pursuant to a settlement agreement approved by the Commission in Order No. 25,011 (September 4, 2009) in No. DE 09-009, UES's 2009 default service proceedings, UES said it plans to comply with the RPS requirements of RSA 362-F outside the default service procurement process by separately purchasing qualifying available RECs or by making

² The master Purchase Sale Agreement between UES and DTE was filed in Docket No. DE 10-028, UES's 2010 default service proceeding, and approved by Order No. 25,179 (December 17, 2010).

alternative compliance payments as necessary. UES issued an RFP for 2011 RPS compliance on October 18, 2011 and has made additional purchases since then. UES said it would issue the second RFP for RECs sometime in the early months of 2012.

At hearing, UES offered as an exhibit (Exhibit 9), an amendment to the RPS compliance settlement agreement signed by the Company and Staff and filed in Docket No. DE 09-009 on December 7, 2011. UES explained that the purpose of the amendment was to eliminate the requirement that UES consult with Staff before committing to the purchase of RECs through the RFP process. UES said that the amendment was necessary because REC brokers and sellers were not willing to guarantee the offered prices for the period of time required for UES to discuss the bid prices with Staff.

UES testified that the revised G1 retail rates, adjusted for reconciliation, working capital requirements, provision for uncollected accounts and internal company administrative costs and the RPS adder, for each month in the period, will be as follows:

Month	February 2012	March 2012	April 2012
\$/kWh energy	\$0.06338	\$0.06306	\$0.06353
RPS adder (\$ per kWh)	\$0.00391	\$0.00391	\$0.00391
Total rate (\$ per kWh)	\$0.06729	\$0.06697	\$0.06744

The proposed default service costs produce a single three-month average rate of \$0.06723 per kWh, which represents a decrease of \$0.01513 per kWh or approximately 18% less than the current simple three-month average rate of \$0.08236 per kWh for the G1 customers that remain on default service. UES said the decrease reflects market rates. Based on the proposed February 2012 default service rate, the overall bill impacts for G1 customers are decreases ranging from 10.9% to 13.3% compared with bills for November 2011.

In summary, UES required that the Commission find that UES: (1) followed the solicitation process approved in Order No. 24,511, (2) conducted a reasonable analysis of the bids submitted, and (3) supplied a reasonable rationale for its choice of supplier. UES also asked the Commission to determine that, based on those findings, the power supply costs resulting from the solicitation are reasonable, subject to the ongoing obligation of UES to act prudently, according to law and in conformity with Commission orders. Finally, UES requested the Commission grant its motion for confidential treatment. UES also requested approval of the amendment to the RPS compliance settlement agreement filed in Docket No. DE 09-009 and Staff's recommendation that the Commission accept the Company's most recent lead-lag study for inclusion in rates.

B. Staff

Staff stated that it had reviewed the petition and determined that UES had complied with the settlement agreement approved by the Commission in Order No. 24,511 in conducting the bid solicitation process, evaluating bids, and selecting a final bidder. Staff also said that the resulting rates are market based and recommended that the Commission approve the petition. Staff also requested that the Commission approve the amendment to the RPS compliance settlement agreement filed in Docket No. DE 09-009 and accept Staff's recommendation regarding UES's most recent lead-lag study. Finally, Staff said it had no objections to the Company's motion for confidential treatment.

III. COMMISSION ANALYSIS

Regarding UES's analysis of the bids and its selection of the winning bidder, we find that UES substantially complied with the procedures approved in Order No. 24,511 for the G1 default service solicitation. We are satisfied that UES met the procedural requirements set forth in the

prior orders and that the result of the bidding process is consistent with the requirements of RSA 374-F:3, V(c) that default service “be procured through the competitive market.” We also find that UES’s evaluation of the bids and selections of DTE was reasonable. The testimony of UES, together with its bid evaluation report, indicates that the bid prices reflect current market conditions.

We also accept the recommendation by Staff contained in its November 18, 2011 memorandum regarding UES’s 2010 lead lag study. We approve the study and will allow the results to be included in rates on a fully reconcilable basis. We also find the amendment to the RPS procurement settlement agreement approved in Docket No. DE 09-009 to be reasonable and in the public interest and consistent with the principle that UES acquire RPS compliance at the least cost to customers.

Finally we grant UES’s request for confidential treatment of information contained in Tab A to Schedule TMB-1, attached to Exhibit TMB-1 of the petition, which includes a brief narrative discussion of the bids received, a list of the suppliers who responded to the RFP, a pricing summary consisting of a comparison of all price bids, each bidder’s final pricing, a summary of each bidder’s financial security requirements of UES, a description of the financial security offered by each bidder, UES’s ranking of each bidder’s financial security, the contact list used by UES during the RFP process, and the Amendment to the master purchase power agreement with DTE. This information is identical in type and nature to the information that has been accorded confidential treatment earlier in this proceeding and in UES’s prior default service proceedings. *See, e.g.* Order No. 25,236 (June 16, 2011) and Order No. 25,206 (March 21, 2011) in the instant docket and Order No. 25,179 (December 17, 2010) in Docket No. DE 10-028, UES’s 2010 default service docket. There is a privacy interest at stake that would be invaded by

the disclosure of this information. While the public has an interest in the information underlying the default service rates paid by customers, the interest in confidentiality outweighs that of disclosure. Disclosing this information would likely hamper UES's ability to engage suppliers in competitive bidding in the future, which would, in turn, make it more difficult to meet its supply needs at competitive prices and might thereby increase rates to customers. As to the information in TMB-1, because the information will soon be publicly available through the Federal Energy Regulatory Commission, we grant confidential treatment to that information only until August 1, 2012 as requested in the motion. We will also grant confidential treatment of the confidential materials (TMB-1) sent by electronic mail to Staff and the Office of Consumer Advocate on December 9, 2011.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into by Unitil Energy Systems, Inc. with DTE Energy Trading, Inc. and the resulting proposed rates are **APPROVED**; and it is

FURTHER ORDERED, that the power supply costs resulting from the solicitation are reasonable and, subject to the ongoing obligation of UES to act prudently, according to law and in conformity with Commission orders, the amounts payable to the seller for power supply costs under the three month purchase and sale agreement referenced herein and proposed for inclusion in retail rates to G1 customers beginning February 1, 2012 are **APPROVED**; and it is

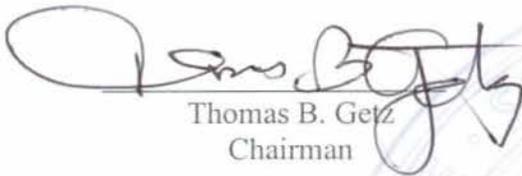
FURTHER ORDERED, that the pending motion for confidential treatment of documents is **GRANTED** subject to the conditions discussed herein; and it is

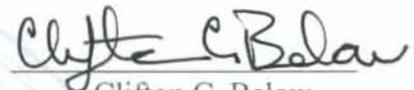
FURTHER ORDERED, that the amendment to the Settlement Agreement on Renewable Portfolio Standard Compliance approved in Docket No. DE 09-009 is hereby **APPROVED**; and it is

FURTHER ORDERED, that UES's 2010 lead lag study is APPROVED and the results shall be included in rates on a fully reconciling basis; and it is

FURTHER ORDERED, that UES shall file conforming tariffs within 30 days of the date of this ORDER, consistent with N.H. Admin. Rule Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this fifteenth day of December, 2011.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner

Attested by:


Debra A. Howland
Executive Director

