

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 09-009

December 11, 2009

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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

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 several occasions.

21

22

1 **II. PURPOSE OF TESTIMONY**

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

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

11
12 I describe how UES solicited for bids from wholesale suppliers to provide the
13 supply requirements in accordance with the terms of the Order as UES has done
14 in prior DS supply solicitations. I also describe how the proposals received were
15 evaluated and the winning bidders were chosen. Supporting documentation and
16 additional detail of the solicitation process followed is provided in the Bid
17 Evaluation Report (“Report”), attached as Schedule RSF-1. A copy of the RFP as
18 issued is attached as Schedule RSF-2. Finally, an updated Customer Migration
19 Report is attached as Schedule RSF-3. The Customer Migration Report shows
20 monthly retail sales and customer counts supplied by competitive generation, total
21 retail sales and customer counts (the sum of default service and competitive

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

4
5 Additionally, my testimony reviews UES' approach to compliance with the
6 Renewable Portfolio Standard (RPS) which went into effect in January 2008.

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 supplier.
- 13 • On the basis of these findings, conclude that the power supply costs resulting
14 from the solicitation are reasonable and that the amounts payable to the seller
15 under the supply agreement are approved for inclusion in retail rates.
- 16 • Issue an order granting the approvals requested in UES' Petition on or before
17 December 18, 2009, which date is five (5) business days after the date of this
18 filing.

19
20 **III. SOLICITATION PROCESS**

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

3 A. In the same manner as its prior solicitations for default service supplies, UES
4 conducted an open solicitation in which it actively sought interest among potential
5 suppliers, and provided potential suppliers with access to sufficient information to
6 enable them to assess the risks and obligations associated with providing the
7 services sought. UES did not discriminate in favor or against any individual
8 potential supplier who expressed interest in the solicitation. UES negotiated with
9 all potential suppliers who submitted proposals in order to obtain the most
10 favorable terms each potential supplier was willing to offer. The structure, timing
11 and requirements associated with the solicitation are fully described in the RFP
12 issued on November 3, 2009, attached as Schedule RSF-2, and summarized in the
13 Report attached as Schedule RSF-1.

14
15 **Q. How did UES ensure that the RFP was circulated to a large audience?**

16 A. UES announced the RFP's availability electronically to all participants in
17 NEPOOL by notifying all members of the NEPOOL Markets Committee via
18 email. UES also announced the issuance of the RFP via email to a list of power
19 suppliers and other entities such as distribution companies, consultants, brokers
20 and members of public agencies who have previously expressed interest in
21 receiving copies of UES's solicitations. UES followed up the email

1 announcements with telephone calls to the power suppliers to solicit their interest.

2 In addition, UES issued a media advisory to the power markets trade press

3 announcing the issuance of the RFP.

4

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

6 A. The RFP described the details of UES' DS, the related customer-switching rules,

7 and the form of power service sought. In order to gain the greatest level of

8 market interest in supplying the load, UES provided potential bidders with

9 appropriate and accessible information. Data provided included historical hourly

10 default service loads and daily capacity tags for each customer group; historical

11 monthly retail sales and customer counts by rate class and supply type; a generic

12 listing of large customers showing sales, peak demands, capacity tag values and

13 supply type; and the evaluation loads, which are the estimated monthly volumes

14 that UES would use to weight bids in terms of price. The hourly load data and

15 capacity tags, retail sales report, and large customer data were all updated prior to

16 final bidding. All documents and data files were provided to potential suppliers

17 via UES' corporate website (www.unitil.com/rfp).

18

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

20 A. UES evaluated the bids on both quantitative and qualitative criteria, including

21 price, creditworthiness of bidders, a bidder's willingness to extend adequate credit

1 to UES in order to facilitate the transaction, each bidder's capability of
2 performing the terms of the RFP in a reliable manner, and willingness to enter
3 into contractual terms acceptable to UES. UES compared the pricing strips
4 proposed by the bidders by calculating weighted average prices for the supply
5 requirement using the evaluation loads that were issued along with the RFP.

6
7 UES selected PSEG Energy Resources and Trade, LLC ("PSEG ER&T) as the
8 supplier for the 3-month G1 supply requirement. UES believes that PSEG ER&T
9 offered the best overall value in terms of both price and non-price considerations
10 for the respective supply requirement sought.

11
12 **Q. Please describe the contents of the Bid Evaluation Report.**

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

1

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

7

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

10 A. UES' next default service solicitation will be for twenty-five percent (25%) of
11 Non-G1 supplies for a two-year period and for one hundred percent (100%) of G1
12 supplies for a three-month period, both beginning May 1, 2010. UES plans to
13 issue an RFP for these supplies on February 2, 2010, with a filing for approval of
14 solicitation results planned for March 12, 2010 and approval anticipated on March
15 19, 2010.

16

17 **III. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

18 **Q. Please review the method by which UES intends to comply with the**
19 **Renewable Portfolio Standard ("RPS") requirements.**

20 A. As discussed in prior default service filings, UES plans to comply with the
21 provisions of Chapter 362-F outside of the default service procurement process by

1 separately purchasing qualifying renewable energy certificates ("RECs") as
2 available or by making alternative compliance payments as required. For 2009
3 compliance, UES has implemented the first of two RFPs for RECs under which it
4 purchased approximately fifty percent of its 2009 REC obligations. UES
5 anticipates issuing its second REC RFP, which would seek the balance of its 2009
6 REC obligations, in late spring 2010.

7
8 **Q. Please describe UES' estimates of RPS compliance costs.**

9 A. The current solicitation is for default service power supply during 2010.
10 To comply with RPS requirements for the months of 2010 associated with the
11 supplies that have been procured as a result of the current RFP, UES will need to
12 provide Class 1 RECs for 1.0 percent of sales; Class 2 RECs for 0.04 percent of
13 sales; Class 3 RECs for 5.5 percent of sales; and Class 4 RECs for 1.0 percent of
14 sales. UES currently estimates the cost of Class 1 RECs at \$40.00; Class 2 RECs
15 at \$80.00; Class 3 RECs at \$27.00; and Class 4 RECs at \$25.00. These values
16 were derived from broker sheets published by renewable energy brokers and from
17 the bidding activity under UES' recent REC RFP, which was concluded in late
18 November, with reference to changes in percentage obligations from 2009 to 2010
19 for each Class as well as expected alternative compliance prices.

20
21 **V. CONCLUSION**

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

2 **A.** Yes, it does.

