

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-028

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Default Service Solicitation and
Resulting Rates for Large Commercial and Industrial Customers**

Order Approving Solicitation, Bid Evaluations and Resulting Rates

ORDER NO. 25,179

December 17, 2010

Appearances: Orr and Reno P.A. by Susan S. Geiger, Esq., on behalf of Unitil Energy Systems, Inc.; and Suzanne G. Amidon, Esq., on behalf of the Staff of the Public Utilities Commission.

I. BACKGROUND

On December 10, 2010, 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 February 1, 2011 through April 30, 2011, and of the resulting default service rates. In support of its petition, UES filed the testimony of Robert S. Furino and Linda S. McNamara, a redacted bid evaluation report (Schedule RSF-1), a copy of the request for proposals (RFP) for default service (Schedule RSF-2) and proposed tariffs. With its petition, UES also included its updated customer migration report and a motion for confidential treatment of most of the information contained in Tab A to Schedule RSF-1 of the filing, consistent with previous filings. UES stated that with the proposed

February 2011 the overall bill¹ impact for G1 customers ranges from negative 2.8% to negative 3.4% when compared to November 2010 bills.

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 9, 2010. Suppliers submitted indicative bids to UES on November 30, 2010. On December 7, 2010, UES selected DTE Energy Trading, Inc. (DTE) as supplier for G1 default service power supply for the three-month period February 1, 2011 through April 30, 2011. On December 10, 2010, the Commission issued a secretarial letter scheduling a hearing for December 15, 2010, which was held as noticed.

II. POSITIONS OF THE PARTIES

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 them to assess the risks and obligations associated with providing the services sought. UES reported that it achieved market notification of the RFP by electronically announcing its availability to all participants in the New England Power Pool (NEPOOL) and to the members of the NEPOOL Markets Committee. UES affirmed that it also announced the issuance of the RFP to a list of contacts from energy companies that had

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

previously expressed interest in receiving notices of solicitations. In addition, UES issued a media advisory announcing the RFP to the power markets trade press.

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' historic hourly load, historic monthly retail sales and customer counts, large customer concentration data and the evaluation loads, which are the estimated monthly volumes that UES would use to weight bids in terms of price, were made available to potential bidders via UES' web site. Consistent with Order No. 24,921 (December 12, 2008) in Docket No. DE 08-015, UES' 2008 Default Service Procurement docket, 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 affirmed 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 the 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 8, 2010, UES and DTE executed a Power Supply Agreement

(PSA) for the power supply for G1 customers for the period February 1, 2011 through April 30, 2011.

UES testified that, in accordance with the settlement agreement dated July 16, 2009, UES issues two Renewable Energy Certificate (REC) RFPs annually, each for approximately 50% of its REC obligations under RSA 362-F, the New Hampshire Renewable Portfolio Standard law. In addition, UES may purchase RECs outside of the RFP process when it finds it advantageous to do so. For 2010 RPS compliance, UES completed its first REC RFP on October 29 and has made additional purchases since that time. In response to a question at hearing, UES testified that it will issue another RFP seeking the balance of its 2010 REC requirements in late spring 2011.

To comply with RPS requirements for the February 1 through April 30, 2011 period, UES will need to provide Class I (new renewable resources) renewable energy certificates (RECs) for 2.0% of sales, Class II (solar resources) RECs for 0.08% 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, UES estimated the cost of Class I RECs at \$17.50, Class II RECs at \$50.00, Class III RECs at \$18.75, and Class IV RECs at \$24.00.

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 2011	March 2011	April 2011
\$ per kWh	\$0.06706	\$0.06582	\$0.06712
RPS adder (\$ per kWh)	\$0.00255	\$0.00255	\$0.00255
Total rate (\$ per kWh)	\$0.06961	\$0.06837	\$0.06967

The proposed default service rates produce a simple three-month average rate of \$0.06922 per kWh, which represents a decrease of \$0.00374 per kWh, or approximately 5.1%, compared with the current simple three-month average rate of \$0.07296 per kWh for the G1 customers that remain on default service. UES said the decrease reflects market rates. Based on the proposed February 2011 default service rate, the overall bill impact for G1 customers is a reduction of 2.8% to 3.4% compared to the November 2010 default service rate.

The Company also gave an update on its Renewable Source Option Program (RSO) approved by the Commission on May 7, 2010 in Docket No. DE 09-224. UES is marketing this program to customers as its Green Neighbor Program, which allows Domestic and Regular General Service default service customers to financially support renewable generation. UES testified that it continues to promote participation in its RSO program through Interactive Voice Response messaging, through articles published in the *Union Leader*, and through a mailing to its 65,000 customers in the October 2010 bills. As a result of its efforts, 21 residential customers are participating in the RSO program (four at the 25 percent level, five at the 50 percent level, and 12 at the 100 percent level).

In summary, UES requested 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.

B. Commission 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 the bids, and selecting the final bidder. Staff also said that the resulting rates are market based and recommended that the Commission approve the petition. Finally, Staff noted that UES does not own any generation and procures its entire default service supply through an RFP process. Staff opined that the requirements of the least cost plan statute did not apply to UES except for the filing of a distribution plan that the Company had agreed to file in the near future.

III. COMMISSION ANALYSIS

Regarding UES' 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 prior orders and that the result of the bidding process is consistent with the requirement of RSA 374-F:3, V(c) that default service "be procured through the competitive market." We also find that UES' evaluation of the bids and selection 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 find that because UES procures both RECs and default service supply through competitive bidding processes pursuant to settlement agreements approved by the Commission, the procurements are just and reasonable and in the public interest.

Finally, we grant UES' request for confidential treatment of information contained in Tab A to Schedule RSF-1, attached to Exhibit RSF-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' ranking of each bidder's financial security, the contact list used by UES during the RFP process, and the power supply 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 prior proceedings. There is a privacy interest at stake that would be invaded by 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 inasmuch as disclosing the information would likely hamper its ability to engage suppliers in competitive bidding in the future, which would, in turn, make it more difficult to obtain its supply needs at competitive prices and might thereby increase rates to customers. As to the information in Schedule LSM-4, because that information will soon be publicly available through the FERC, we grant confidential treatment to that information only until August 1, 2011 as requested in the motion.

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

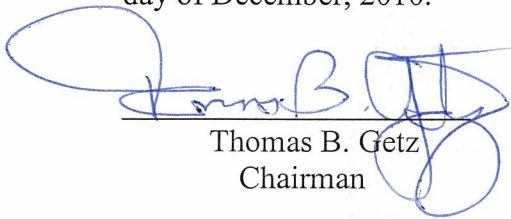
FURTHER ORDERED, that the power supply costs resulting from the solicitation are reasonable and, subject to the ongoing obligation of UES to act prudently, according to law and

in conformity with Commission orders, the amounts payable to the sellers 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, 2011 are APPROVED; and it is

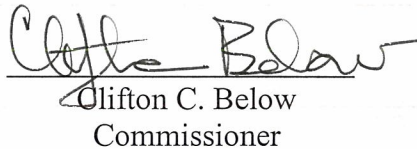
FURTHER ORDERED, that the pending motion for confidential treatment of documents is GRANTED subject to the conditions discussed herein; and it is

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

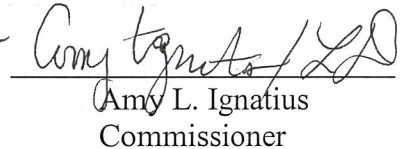
By order of the Public Utilities Commission of New Hampshire this seventeenth day of December, 2010.



Thomas B. Getz
Chairman

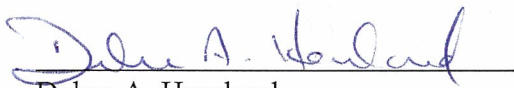


Clifton C. Below
Commissioner



Amy L. Ignatius
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Attested by:



Debra A. Howland
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FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
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