

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

LISA S. GLOVER

New Hampshire Public Utilities Commission

Docket No. DE 17-038

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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

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Schedule LSG-5: Historical Pricing by Customer Group

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

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

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

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

9 **Q. Please briefly describe your educational and business experience.**

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

18 **Q. Have you previously testified before the New Hampshire Public Utilities**
19 **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, 2017.

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 29, 2017 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 June 2016 through June 2017. 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 three-month rate
12 periods for G1 customers or six-month rate periods for Non-G1 customers for which
13 all pricing is currently subject to the Federal Energy Regulatory Commission's
14 quarterly reporting requirements.

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

16 A. UES requests that the Commission:

- 17 • Find that: UES has followed the solicitation process approved by the Commission;
18 UES's analysis of the bids submitted was reasonable; and UES has supplied a
19 reasonable rationale for its choice of the winning suppliers.

- 1 • Find that: the price estimates of renewable energy certificates (“RECs”) proposed
2 by UES, which are based on actual purchases or current market prices and
3 information, are appropriate for inclusion in retail rates.
- 4 • On the basis of these findings, conclude that the power supply costs resulting from
5 the solicitation are reasonable and that the amounts payable to the sellers under the
6 supply agreements are approved for inclusion in retail rates.
- 7 • Issue an order granting the approvals requested herein on or before October 6,
8 2017, which is five (5) business days after the date of this filing.

9 **III. SOLICITATION PROCESS**

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

12 A. UES conducted an open solicitation in which it actively sought interest among
13 potential suppliers to provide load-following power supply to its Default Service
14 customers. UES provided bidders with appropriate information to enable them to
15 assess the risks and obligations associated with providing supply services. UES did
16 not discriminate in favor of or against any individual potential supplier who expressed
17 interest in the solicitation. UES negotiated with all potential suppliers who submitted
18 proposals to obtain the most favorable terms from each potential supplier. The
19 structure, timing and requirements associated with the solicitation are fully described
20 in the RFP issued on August 29, 2017. This is attached as Schedule LSG-2 and is
21 summarized in the Bid Evaluation Report attached as Schedule LSG-1.

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

2 A. UES announced the electronic availability of the RFP to a list of power suppliers and
3 other entities such as distribution companies, consultants, brokers, and members of
4 public agencies who have previously expressed interest in receiving notices of UES'
5 solicitations. The RFP was also distributed to all members of the NEPOOL Markets
6 Committee and Participants Committee. As a result, the RFP had wide distribution
7 throughout the New England supply marketplace. UES followed up the E-mail
8 solicitation with outreach to power suppliers to solicit their interest in bidding on all
9 customer classes.

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

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

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

1 A. UES evaluated the bids on both quantitative and qualitative criteria, including price,
2 market conditions, creditworthiness, willingness to extend adequate credit to UES to
3 facilitate the transaction, capability of performing the terms of the RFP in a reliable
4 manner and the willingness to enter into contractual terms acceptable to UES. UES
5 compared the pricing strips proposed by the bidders by calculating weighted average
6 prices for the supply requirement using the evaluation loads that were issued with the
7 RFP.

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

9 A. Overall prices submitted for the period were about 37% higher than the same period a
10 year ago and 25% higher than the previous period 6-month period (June-2017 to
11 November-2017) for the Non-G1 classes. UES Large customer (G1) adder bid pricing
12 was also higher for this period's solicitation, on average 12% above the previous 6-
13 month period (June-2017 to November-2017) and 128% higher than the same period a
14 year ago. As discussed in UES's April 3, 2017 default service filing, increasing bid
15 prices are attributed to the higher prices for capacity as a result of the Forward
16 Capacity Market auction ("FCM") for the commitment period that began June 1, 2017.
17 Taking into account these market conditions, the company determined the pricing
18 submitted was fair and competitive.

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

20 A. UES selected Vitol, Inc. ("Vitol") as the winning bidder of the small customer (Non-
21 G1) supply requirement (100% share). Exelon Generation Company, LLC ("Exelon")

1 was selected as the winning supplier of the medium customer (Non-G1) supply
2 requirement (100% share) and the large customer (G1) supply requirement (100%
3 share). All three transactions are for a period of six months. UES believes that Vitol
4 and Exelon offered the best overall value in terms of both price and non-price
5 considerations for the supply requirements sought.

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

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

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

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

20 A. The response to this solicitation was positive in that UES continued to receive a
21 number of competitive bids from suppliers who sought to serve load to its Small and

1 Medium customers. The Company added a number of suppliers to its RFP
2 distribution list and had one new bidder participate in this solicitation. UES followed
3 up with a number of potential bidders early on in the process in order to discuss their
4 interest in bidding for both the Small and Medium loads as well as the Large Load to
5 understand their assessment of the risks associated with bidding a fixed adder to the
6 energy pass-through for the large customer class. As has been the case in recent
7 solicitations, the response from suppliers interested in bidding on the Large Load
8 continues to be limited. Several of the bidders indicated the UES Large Load was too
9 small for them to serve, while one of the suppliers indicated the UES medium class
10 was too small for them to serve. A few of the bidders indicated they plan on
11 participating in the next solicitation, including one bidder interested in serving the
12 UES Large Load. Additionally, as a result of reaching out to suppliers, UES
13 discovered that one bidder who actively participates in solicitations and has
14 historically served the Small and Medium loads, will no longer be in the wholesale
15 energy business. There were a few new bidders who indicated they plan on
16 participating in the next solicitation. The Company will continue to reach out to
17 suppliers to encourage their participation in our solicitation process.

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

20 A. Similar to the current solicitation, UES's next default service solicitation will be for
21 one hundred percent (100%) of the small, medium and large customer supply
22 requirements for a six-month period. Delivery of supplies will begin on June 1, 2018.

1 UES plans to issue an RFP for these supplies on March 1, 2018, with a filing for
2 approval of solicitation results planned for April 6, 2018 and approval anticipated by
3 April 13, 2018.

4 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

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

7 A. In accordance with the settlement agreement dated July 16, 2009, UES typically issues
8 two REC RFPs annually, each for approximately 50% of its projected REC
9 obligations. In addition, UES may make REC purchases outside of the RFP process
10 when it finds it advantageous to do so. For 2017 RPS compliance, UES issued a REC
11 RFP in February 2017 for approximately half of its RPS requirement. Some
12 additional purchases outside of the REC RFP process have also been made. Tab A
13 includes an exhibit summarizing UES's REC purchases for RPS compliance. UES
14 anticipates issuing another REC RFP later this year to obtain the remainder of vintage
15 2017 RECs as well to solicit for a portion of vintage 2018 RECs.

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

17 A. The current solicitation is for default service power supplies to be delivered beginning
18 December 1, 2017. Schedule LSG-4 lists the percentage of sales and the resulting
19 REC requirement for each class of RECs for RPS compliance along with UES's cost
20 estimates for the period beginning December 1, 2017. 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..

Q. Does UES's estimate of RPS costs incorporate the latest RPS requirements for 2017 and 2018?

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

NH Renewable Portfolio Standards: 2017-2018					
Calendar Year	Class I *	Class I Thermal	Class II	Class III	Class IV
2017	7.80%	1.40%	0.30%	8.00%	1.50%
2018	8.70%	1.50%	0.30%	8.00%	1.50%
*Class I is the gross requirement which includes Class I Thermal. The net Class I requirement less the Class I Thermal Carve-Out requirement is 6.40% for 2017 and 7.2% for 2018.					

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

VII. CONCLUSION

Q. Does this conclude your testimony?

A. Yes.