

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-039

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Energy Service Solicitation and
Resulting Rates for Small, Medium, and Large Customer Groups Beginning June 1, 2020**

Order Approving Petition

ORDER NO. 26,347

April 10, 2020

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission authorizes Unitil to recover the costs of power supply through energy service rates for the six-month period beginning June 1, 2020, finding that Unitil's solicitation and selection of power suppliers was conducted in accordance with prior Commission orders, and that the resulting rates are market based.

The order approves a six-month energy service rate of 6.987 cents per kilowatt hour (kWh) for residential customers taking default energy service from Unitil. For a residential customer using 650 kWh per month, the result will be a decrease in monthly bills of about 17 percent as compared with rates effective in the six-month period ending May 31, 2020; and a decrease of about 2 percent compared to the same six-month period a year earlier (June through November 2019). The average monthly bills for small commercial customers taking energy service from Unitil will decrease by about 18 percent.

I. PROCEDURAL HISTORY

On March 26, 2020, Unitil Energy Systems, Inc., (Unitil or Company), filed a letter with the Commission providing its schedule for solicitation of energy service bids and the associated regulatory filings for the calendar year 2020. The Office of the Consumer Advocate (OCA) filed a letter of participation on March 30, pursuant to RSA 363:28. The Commission issued an Order of Notice on March 31, and scheduled a hearing for April 8.

On April 3, Unitil filed a petition requesting approval of its solicitation and procurement of energy service for (1) residential (Rate D) customers, (2) small commercial (Rate G2) and outdoor lighting (Rate OL) customers, and (3) large commercial and industrial (Rate G1) customers. The solicitation process is designed to procure 100 percent of the power supply requirement for each customer group for the six-month period beginning June 1. Unitil filed the petition pursuant to the settlement agreement approved in Order No. 24,511 (September 9, 2005), as modified by subsequent orders, most recently Order No. 25,397 (July 31, 2012).

Unitil selected NextEra Energy Marketing, LLC (NextEra) as the winning bidder for the small customer group (Rate D), Exelon Generation Company, LLC (Exelon) as the winner of the medium customer group (Rate G2 and Rate OL), and H.Q. Energy Services (U.S.), Inc. (HQUS), as the winner of the large customer group (Rate G1) for the six-month period beginning June 1.

With the Company's petition, Unitil filed the testimony of Jeffrey M. Pentz, Senior Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst, with exhibits and proposed tariff revisions. Unitil also filed its 2019 lead/lag study with the supporting testimony of Daniel T. Nawazelski, Senior Financial Analyst. In addition, Unitil submitted its quarterly customer migration report.

Pursuant to N.H. Administrative Rules, Puc 201.06 and 201.07, Unitil requested confidential treatment of the following documents: Schedule JMP-1; Page 5 of Schedule LSM-2; Page 3 of Schedule LSM-4; Schedule DN-2; and the emails exchanged with the Staff and the OCA on April 3, 2020. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.gov/Regulatory/Docketbk/2020/20-039.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

Unitil testified that the Company issued requests for proposals (RFPs) on March 3, 2020, for service for the small, medium, and large customer groups for the period June 1, through November 30, 2020. On March 17, Unitil received initial bids that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Unitil received final bids on March 31. The Company said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil to facilitate the transaction, capability of meeting the terms of the power supply agreement (PSA) in a reliable manner, and willingness to enter into contractual terms acceptable to the Company. After completing the bid evaluation, the Company notified the selected bidders.

Unitil said it selected NextEra, Exelon, and HQUS, because those suppliers offered the best overall value in terms of price and non-price considerations listed above. Schedule JMP-1 of Unitil's filing contains a more detailed description of the bid evaluation process. The Company testified that the power supply agreements were the same as the proposed PSA attached to the RFP.

The Company testified that the results of the RFP indicate that the market price for power is about 27 percent less than for the six-month period beginning June 1, 2019, and about 43 percent less for the period ending May 31, 2020. Unitil said that the price decrease resulted from a significant decrease in natural gas prices, along with the continued decrease in capacity prices, resulting in significant cost decreases when compared to the period that began on June 1, 2019.

Unitil explained that the energy service rate includes the cost of power and the costs of complying with the renewable portfolio standard (RPS). *See* RSA 362-F. To collect revenue to comply with its RPS obligation, Unitil includes an RPS compliance adder in its calculation of energy service rates. Unitil achieves compliance by purchasing qualifying renewable energy certificates (RECs). Each REC represents a megawatt hour of power produced by a qualified renewable generation source. Although Unitil enters into bilateral agreements for the purchase of some RECs, the Company acquires most of its RECs through a competitive solicitation for qualifying RECs every six months.

To calculate the RPS compliance adder, Unitil considers market prices, recent broker quotes, and the alternative compliance payments (ACPs) set by statute. For the six-month period beginning June 1, 2020, Unitil calculated an RPS compliance adder of 0.981 cents per kWh for the small and medium customer groups, an increase from a per kWh credit to customers that applied in the prior period. Unitil said the increase in the RPS compliance adder resulted in part from an under-collection in the prior period, due to higher actual than forecast costs for Class I RECs. Unitil assumed the higher price would apply to Class I RECs purchased for compliance costs associated for the remainder of 2020. In addition, Unitil said that the REC market was experiencing a scarcity of Class III (existing biomass generation) RECs and that the Company

used the Class III ACP in the calculation of the costs to meet Class III RPS obligations. Unitil calculated the RPS compliance adder for G1 customers to be 0.884 cents per kWh.

Based on the prices offered by the winning bidders, Unitil calculated the fixed rate for the energy component of the Company's residential rate to be 6.006 cents per kWh, and the energy component for the Company's medium customers to be 4.893 cents per kWh. With the RPS adder, the per kWh rate for the residential group is 6.987 cents per kWh, which will result in an overall bill decrease of 16.9 percent in monthly bills for customers using 650 kWh per month, as compared to current rates. The energy service rate for the typical small commercial customer is 5.874 cents per kWh, resulting in reductions of monthly bills of about 17.9 percent. Outdoor lighting customers will also be billed an energy service rate of 5.874 cents per kWh, and will experience monthly bill reductions of about 8.9 percent.

Unitil testified that bill impacts for G1 customers are unknown because, in the six-month period, the power supply charge component of G1 customer bills will be determined monthly based on the Real-Time Locational Marginal Price of power for the New Hampshire load zone, plus an adder to cover non-energy wholesale costs.¹ The power supply component will be adjusted by a credit of 0.292 cents per kWh, resulting from an over-collection in the prior period.

Unitil testified that it had prepared the 2019 lead/lag study in a manner consistent with the conduct of previous lead/lag studies, and in a manner previously reviewed and accepted by Staff and the OCA.

Unitil requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. Unitil also asked that the Company be authorized to use the results of the 2019 lead/lag study in the calculation of rates.

¹ At the end of each month, the Company calculates the average market price of power for the month, and that price is used to set the rate for the following month.

At hearing, Unitil was questioned about the lead associated with the procurement of RECs. Subsequently, the Commission recommended discussions among Staff, the OCA, and the Company to clarify the calculation of leads associated with the procurement of RECs. Unitil agreed with that proposal.

At hearing, Unitil was also asked whether it had factored the impact of the COVID-19 pandemic on energy use in the preparation of this filing. Unitil responded that it based its estimates on pre-pandemic conditions and on actual 2019 year-end results, and that the Company preferred not to speculate about the effect of the pandemic on energy use in this filing. The Company said it would examine the effects of the pandemic in the next default service solicitation process.

B. OCA

The OCA stated that Unitil's selection of winning bidders to supply power to its customers beginning June 1, 2020, was the result of a competitive bid process, and that the resulting rates are just and reasonable. The OCA also agreed that it was appropriate for further discussions to take place regarding the lead/lag study. The OCA recommended that the Commission approve the petition.

C. Staff

Staff said that Unitil conducted the solicitation, bid evaluation, and bidder selection process in a manner consistent with Commission prior orders and that the results are a product of the competitive market. Consequently, Staff concluded that the resulting rates are market based, and just and reasonable. Staff further said that while it found the Company's lead/lag study appropriately conducted, it would engage in the discussions as directed by the Commission.

Finally, Staff recommended that the Commission approve the petition as requested by the Company.

III. COMMISSION ANALYSIS

We find that the Company's solicitation and bid evaluation process conforms to Order No. 24,511, as modified, for the procurement of power supply for customers taking energy service from Unitil. *See also* RSA 374-F:3, V(c). We also find the resulting rates are market based and are just and reasonable. We find Unitil's selection of NextEra to provide supply for residential customers, Exelon for the small commercial and outdoor lighting groups, and HQUS for the large customer group to be consistent with prior Commission orders.

We direct Staff to meet with the OCA and Unitil to discuss the question related to Unitil's 2019 lead/lag study. At hearing, Unitil agreed it would follow up in writing before the next default service filing. Accordingly, our approval is subject to further investigation and review of the lead/lag study and subject to reconciliation, if necessary.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by Unitil Energy Systems, Inc., with NextEra Energy Marketing, LLC, Exelon Generation Company, LLC, and H.Q. Energy Services (U.S.), Inc., for power supply for the Company's energy service customers for the six-month period beginning June 1, 2020, are hereby APPROVED; and it is

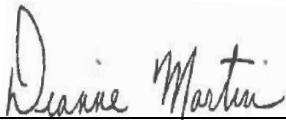
FURTHER ORDERED, that Unitil Energy Systems, Inc's., request to recover the costs of the power supply agreements through rates effective with services rendered on and after June 1, 2020, through November 30, 2020, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc., is authorized to use the results of its 2019 lead/lag in the calculation of energy service rates, subject to reconciliation; and it is

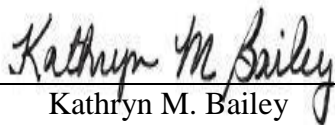
FURTHER ORDERED, that Unitil Energy Systems, Inc., the Office of the Consumer Advocate, and Commission Staff shall confer to clarify the necessity of leads associated with the procurement of renewable energy certificates, and Unitil shall file a letter reporting the results of those discussions with its explanation; and it is

FURTHER ORDERED, that Unitil Energy Systems, Inc., shall file conforming tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order, consistent with N.H. Administrative Rule, Puc 1603.

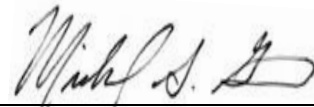
By order of the Public Utilities Commission of New Hampshire this tenth day of April, 2020.



Dianne Martin
Chairwoman

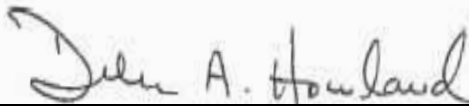


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket# : 20-039

Printed: 4/10/2020

Email Addresses

ExecutiveDirector@puc.nh.gov
suzanne.amidon@puc.nh.gov
james.brennan@oca.nh.gov
richard.chagnon@puc.nh.gov
Stephen.Eckberg@puc.nh.gov
eppler@unitil.com
tom.frantz@puc.nh.gov
donald.kreis@oca.nh.gov
amanda.noonan@puc.nh.gov
ocalitigation@oca.nh.gov