

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF**

**JEFFREY M. PENTZ**

**New Hampshire Public Utilities Commission**

**Docket No. DE 22-017**

**September 23, 2022**

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**Schedule JMP-5: Historical Pricing by Customer Group**

1 **I. INTRODUCTION**

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

3 A. My name is Jeffrey M. Pentz. 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 a Senior Energy Analyst. USC  
7 provides management and administrative services to Unitil Energy Systems, Inc.  
8 (“UES”, “Unitil” or the “Company”) and Unitil Power Corp. (“UPC”).

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

10 A. I received my Bachelor of Arts degree in Economics from the University of  
11 Massachusetts. Before joining USC I worked as a Contracting and Transaction  
12 Analyst with Mint Energy, a retail electric supplier. My range of responsibilities  
13 included contract negotiation with brokers and customers, retail billing, and sales.  
14 Prior to Mint Energy, I worked as a data analyst for Energy Services Group. My  
15 responsibilities included supplier business transaction testing and integration with  
16 regulated utilities. I joined USC in February 2016 as an Energy Analyst with the  
17 Energy Contracts department. In January 2019 I was promoted to my current position  
18 as Senior Energy Analyst. I have primary responsibilities in the areas of load  
19 settlement, renewable energy credit procurement, renewable portfolio standard  
20 compliance, default service procurement, market research and operations, and  
21 monitoring renewable energy policy.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**  
2 **Commission ("Commission")?**

3 A. Yes, I have testified before the Commission in previous Default Service Solicitation  
4 proceedings.

5 **II. PURPOSE OF TESTIMONY**

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

7 A. This testimony documents the solicitation process followed by UES in its acquisition  
8 of default service power supplies for its G1 and Non-G1 customers as approved by the  
9 Commission in Order No. 25,397, dated July 31, 2012 (the "Order") granting UES's  
10 Petition for Approval of Revisions to its Default Service Solicitation Process for G1  
11 and Non-G1 Customers. With the current Request for Proposal ("RFP"), UES has  
12 contracted for an eight-month default service power supply for 100% of its small  
13 customer group (Non-G1); 100% of its medium customer group (Non-G1); and 100%  
14 of its large customer group (G1) service requirements. Service begins on December 1,  
15 2022.

16 **Q. Please describe the documents provided with this filing.**

17 Supporting documentation and additional detail of the solicitation process is provided  
18 in the Bid Evaluation Report ("Report"), attached as Schedule JMP-1. The structure,  
19 timing and requirements associated with the solicitation are fully described in the RFP  
20 issued on August 23, 2022 and is attached as Schedule JMP-2. An updated Customer  
21 Migration Report is attached as Schedule JMP-3. The Customer Migration Report

1 shows monthly retail sales and customer counts supplied by competitive generation,  
2 total retail sales and customer counts (the sum of default service and competitive  
3 generation) and the percentage of sales and customers supplied by competitive  
4 generation. The report provides a rolling 13-month history which covers the period  
5 from August 2021 through August 2022. Renewable Portfolio Standard ("RPS")  
6 Compliance Cost Estimates are included as Schedule JMP-4. My testimony reviews  
7 UES's approach to compliance with the RPS which went into effect in January 2008.  
8 Schedule JMP-4 details projected obligations and price assumptions for the coming  
9 rate period. The price assumptions are based on recent market data information and  
10 alternative compliance payment prices. Lastly, Schedule JMP-5 provides historical  
11 price data by customer group that is no longer subject to confidential treatment. This  
12 schedule provides pricing histories associated with the most recent six-month rate  
13 periods for Non-G1 and G1 customers for which all pricing is currently subject to the  
14 Federal Energy Regulatory Commission's 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 September 30,  
8           2022, 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 23, 2022. This is attached as Schedule JMP-2 and is  
21   summarized in the Bid Evaluation Report attached as Schedule JMP-1.

1 **Q. Were there any changes made to the Solicitation Process?**

2 **A.** Yes. On July 29, 2022, the Company filed a Motion for Expedited Ruling on its  
3 default service procurement timeline in Docket No. DE 22-017 to change the current  
4 procurement schedule for UES. Generally, Unitil issues its RFPs in February and  
5 August for service to begin on June 1 and December 1, respectively. The Company in  
6 its filing requested approval by the Commission to conduct a one time, eight-month  
7 solicitation to extend the current procurement period through July 31, 2023, whereas  
8 under its typical procurement schedule the procurement period would end on May 31,  
9 2023. This one-time eight-month solicitation allows the Company include two  
10 moderately priced months (June, July) into its current service period and also results in  
11 aligning its future procurement periods with the other investor owned utilities in the  
12 state. The Commission approved the Company's requested changes on September 9,  
13 2022 in Order No. 26,679.

14 **Q. Please explain the benefits to default service customers from the procurement**  
15 **timeline changes.**

16 **A.** In the short term, adding the months of June and July to the current solicitation will  
17 have the benefit of mitigating very high winter default service prices, as forward  
18 prices for both summer months were much lower than prices for the winter months. In  
19 the Motion for Expedited Ruling, a technical statement was provided which compared  
20 the estimated wholesale energy price using the six and eight month periods. Using an

1 eight month period resulted in an estimated reduction of the overall default service rate  
2 of sixteen percent (16%) as compared with the six-month period.

3 In the long term, there are several additional benefits. First, the higher priced winter  
4 months of January and February will be split into two different service periods, with  
5 December and January being grouped separately from February and March. The  
6 breaking up of winter months allows for a more annual, and less seasonal, rate. The  
7 split also breaks up the higher priced summer months of July and August into separate  
8 procurement periods. Additionally, having all of the state's regulated electric utilities  
9 on the same procurement timeline will facilitate price comparisons across all  
10 companies.

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

12 A. UES announced the electronic availability of the RFP to a list of power suppliers and  
13 brokers. The RFP was also distributed to all members of the NEPOOL Markets  
14 Committee. As a result, the RFP had wide distribution throughout the New England  
15 supply marketplace, including distribution companies, consultants, and members of  
16 public agencies. UES followed up the E-mail solicitation with outreach to power  
17 suppliers to solicit their interest in bidding on any and all customer classes.

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

19 A. The RFP provides background information and historical data, details the service  
20 requirements and commercial terms, explains the process for selecting the winning  
21 bidders. To gain the greatest level of market interest in supplying the load, UES



1 provided potential bidders with appropriate and accessible information. Data provided  
2 included historical hourly default service loads and daily capacity tags for each  
3 customer group; class average load shapes; historical monthly retail sales and  
4 customer counts by rate class and supply type; and the evaluation loads, which are the  
5 estimated monthly volumes that UES would use to weigh bids in terms of price. The  
6 retail sales report and the historical loads and capacity tag values were updated prior to  
7 final bidding to provide the latest information available.

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

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

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

17 A. Significantly. Overall, the winning wholesale pricing submitted for the Small and  
18 Medium classes (Non-G1) for the upcoming eight-month period of December 1, 2022  
19 through July 31, 2023 is 59% higher than the winter period a year ago and 169%  
20 higher than wholesale pricing for the current summer period of June 1, 2022 to  
21 November 30, 2022. Moreover, had the Commission rejected the Company's

1 proposal and UES were to procure for only a six-month period, the wholesale pricing  
2 would have been 81% higher than last winter. The acute increase in pricing can be  
3 directly attributed to extreme volatility in the global natural gas market, particularly  
4 since natural gas is predominantly the marginal cost fuel for power generation in New  
5 England. The war in Ukraine and the subsequent energy crisis in Europe has caused  
6 substantial market volatility and this has played a key factor in the sharp increases in  
7 electricity prices compared to prior periods. To demonstrate whether bid prices are  
8 reasonably reflective of market conditions and prior bidding behavior, the Company  
9 presents in Tab A to the Bid Evaluation Report various comparisons of the ratio of  
10 winning bid prices to NYMEX futures prices for the current solicitation to the ratio of  
11 winning bids to NYMEX prices at the time of prior solicitations. As shown in Tab  
12 A(4), the ratio of winning bids in this solicitation are very comparable to the ratio of  
13 winning bids in the solicitation conducted a year ago and in the solicitation conducted  
14 six months ago with respect to the NYMEX ISO futures contract, which is very  
15 relevant since the NYMEX ISO futures prices reflect regional costs (whereas the  
16 NYMEX NG futures prices reflect national prices). Considering current market  
17 conditions and the NYMEX price comparisons, the Company determined that the  
18 pricing submitted was market based and competitive.

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

20 A. UES selected Exelon Generation Company, LLC (“Exelon”) as the winning bidder for  
21 the small customer (Non-G1) supply requirement (100% share) and the medium  
22 customer (Non-G1) supply requirement (100% share). UES selected Hydro Quebec

1 Energy Services (“HQUS”) as the winning bidder of the large customer (G1) supply  
2 requirement (100% share). All three transactions are for a period of eight months. UES  
3 believes that Exelon and HQUS offer the best overall value in terms of both price and  
4 non-price considerations for the supply requirements sought.

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

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

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

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

19 A. UES reached out to a number of suppliers early in the process to solicit and gauge  
20 supplier interest. Bidder response for this solicitation was lower when compared to the

1 prior solicitations. Several suppliers that have participated in the past elected not to do  
2 so this time stating concerns about high volatility within current energy markets.

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

5 A. Similar to the current solicitation, UES's next default service solicitation will be for  
6 one hundred percent (100%) of the small, medium and large customer supply  
7 requirements for a six-month period. Delivery of supplies will begin on August 1,  
8 2023. UES will coordinate with the other utilities in terms of timing of the  
9 solicitations, and there is no RFP release date at this time.

10 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

11 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**  
12 **requirements.**

13 A. In accordance with the settlement agreement dated July 16, 2009 in Docket No. DE  
14 09-009, and as amended on December 6, 2011, UES will conduct two REC RFPs  
15 during each compliance year to obtain Existing RECs and/or Forward RECs to meet  
16 100% of its projected REC obligations. In addition, UES may make REC purchases  
17 outside of the RFP process when it finds it advantageous to do so. To meet its 2022  
18 and 2023 RPS compliance requirements, UES will issue an RFP in the fall of 2022 for  
19 its remaining 2022 RPS requirements and approximately half of its 2023 RPS  
20 requirements. Tab A includes an exhibit summarizing UES's REC purchases for RPS  
21 compliance.

1 **Q. Please describe UES’s estimates of RPS compliance costs.**

2 A. The current solicitation is for default service power supplies to be delivered beginning  
 3 December 1, 2022. Schedule JMP-4 lists the percentage of sales and the resulting  
 4 REC requirement for each class of RECs for RPS compliance along with UES’s cost  
 5 estimates for the period beginning December 1, 2022. UES’s cost estimates are based  
 6 on current market prices as communicated by brokers of renewable products, recent  
 7 purchases of RECs, and alternative compliance payment rates (“ACP”).

8 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**  
 9 **2022 and 2023?**

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

<b>NH Renewable Portfolio Standards: 2022</b>					
<b>Calendar Year</b>	<b>Class I *</b>	<b>Class I Thermal</b>	<b>Class II</b>	<b>Class III</b>	<b>Class IV</b>
2022	12.30%	2.0%	0.7%	8.00%	1.5%
2023	13.20%	2.2%	0.7%	8.00%	1.5%
*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 10.3% for 2022 and 11.2% for 2023					

15 Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS  
 16 requirements shown here.

17 **VII. CONCLUSION**

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

19 A. Yes.