

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF**

**JEFFREY M. PENTZ**

**New Hampshire Public Utilities Commission**

**Docket No. DE 22-017**

**March 25, 2022**

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**Schedule JMP-2: Request for Proposals**

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**Schedule JMP-4: RPS Compliance Cost Estimates**

**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”) 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 Unitil 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 ("DS") for its G1 and Non-G1 customers as  
9 approved by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order")  
10 granting UES's Petition for Approval of Revisions to its Default Service Solicitation  
11 Process for G1 and Non-G1 Customers. With the current Request for Proposal  
12 ("RFP"), UES has contracted for a six-month default service power supply for 100%  
13 of its small customer group (Non-G1); 100% of its medium customer group (Non-G1);  
14 and 100% of its large customer group (G1) service requirements. Service begins on  
15 June 1, 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 February 22, 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 January 2021 through January 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 April 1, 2022,  
8           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 February 22, 2022. This is attached as Schedule JMP-2 and is  
21 summarized in the Bid Evaluation Report attached as Schedule JMP-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        brokers. The RFP was also distributed to all members of the NEPOOL Markets  
4        Committee and Participants Committee. As a result, the RFP had wide distribution  
5        throughout the New England supply marketplace, including distribution companies,  
6        consultants, and members of public agencies. UES followed up the E-mail solicitation  
7        with outreach to power suppliers to solicit their interest in bidding on any and all  
8        customer classes.

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

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

20

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, pricing submitted for the Small and Medium classes (Non-G1) for the  
10 upcoming period from June 1, 2022 – November 30, 2022 is 60% higher than the  
11 same period a year ago and 41% lower than the previous 6-month period from  
12 December 1, 2021 to May 31, 2022. Pricing for the large customer class (G1) adder is  
13 9.8% lower than the previous 6-month period and 6.7% lower than the same period a  
14 year ago. The increase in pricing compared to the same period last year is directly  
15 attributed to significant increases in forward natural gas prices, which have a direct  
16 effect on power futures. The decrease in pricing compared to previous period is  
17 attributed to lower forward natural gas prices experienced during warmer months.  
18 Considering these market conditions, the company determined that the pricing  
19 submitted was market based and competitive.

20

21



1

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

3 A. UES selected Hydro Quebec Energy Services (“HQUS”) as the winning bidder for the  
4 small customer (Non-G1) supply requirement (100% share) and the medium customer  
5 (Non-G1) supply requirement (100% share). UES selected NextEra Energy Marketing,  
6 LLC (“NextEra”) as the winning bidder of the large customer (G1) supply requirement  
7 (100% share). All three transactions are for a period of six months. UES believes that  
8 HQUS and NextEra offers the best overall value in terms of both price and non-price  
9 considerations for the supply requirements sought.

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

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

18 On the basis of the information and analysis contained in the Bid Evaluation Report,  
19 UES submits that it has complied with the procurement process approved by the  
20 Commission, and that the resulting default service power supply costs are reasonable

1 and that the amounts payable to the sellers under the supply agreements should be  
2 approved for inclusion in retail rates.

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

4 A. UES reached out to a number of suppliers early in the process to solicit and gauge  
5 supplier interest. Bidder response for this solicitation increased slightly when  
6 compared to the prior solicitation. One supplier that had not participated in the most  
7 recent solicitation decided to participate in the current solicitation. The response from  
8 suppliers bidding an add-on charge for the G-1 large customer load continues to be  
9 limited, however participation levels remained the same when compared to the  
10 previous solicitation. Feedback from some bidders is the large customer load is too  
11 small to serve. Additionally, large customer migration to a third party supplier is a  
12 concern for some bidders. The Company will continue to reach out to suppliers to  
13 encourage their participation.

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

16 A. Similar to the current solicitation, UES's next default service solicitation will be for  
17 one hundred percent (100%) of the small, medium and large customer supply  
18 requirements for a six-month period. Delivery of supplies will begin on December 1,  
19 2022. UES plans to issue an RFP for these supplies on August 23, 2022, with a filing  
20 for approval of solicitation results planned for September 23, 2022 and approval  
21 anticipated by September 30, 2022.

1 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

2 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**  
3 **requirements.**

4 A. In accordance with the settlement agreement dated July 16, 2009 (DE. 09-009) and as  
5 amended on December 6, 2011, UES will conduct two REC RFPs during each  
6 compliance year to obtain Existing RECs and/or Forward RECs to meet 100% of its  
7 projected REC obligations. In addition, UES may make REC purchases outside of the  
8 RFP process when it finds it advantageous to do so. To meet its 2021 and 2022 RPS  
9 compliance requirements, UES issued an RFP in October 2021 for approximately half  
10 of its 2021 and 2022 RPS requirements. UES plans on issuing a second RFP in  
11 October 2022 for the remainder of 2022 RPS requirements and half of its 2023  
12 requirements. Tab A includes an exhibit summarizing UES's REC purchases for RPS  
13 compliance.

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

15 A. The current solicitation is for default service power supplies to be delivered beginning  
16 June 1, 2022. Schedule JMP-4 lists the percentage of sales and the resulting REC  
17 requirement for each class of RECs for RPS compliance along with UES's cost  
18 estimates for the period beginning June 1, 2022. UES's cost estimates are based on  
19 current market prices as communicated by brokers of renewable products, recent  
20 purchases of RECs, and alternative compliance payment rates ("ACP").

1 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**  
2 **2022?**

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

4

5 **NH Renewable Portfolio Standards: 2022**

6 <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>
7 2022	12.30%	2.0%	0.7%	8.00%	1.5%

8 \*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

8 Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS  
9 requirements shown here.

10 **VII. CONCLUSION**

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

12 A. Yes.