

THE STATE OF NEW HAMPSHIRE  
BEFORE THE  
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

**Unitil Energy Systems, Inc.**

**2022 Default Service Schedule**

**Docket No. DE 22-017**

**Technical Statement of  
Jeffrey M. Pentz and Linda S. McNamara**

**July 29, 2022**

**I. PURPOSE OF STATEMENT**

Unitil Energy Systems Inc. (“Unitil” or the “Company”) has, for many years, procured default service for its customers in essentially the same manner as was set by the Commission nearly 10 years ago. Similar to the other electric distribution companies (“EDCs”) in New Hampshire, twice per year Unitil issues a Request for Proposals (“RFP”) to participants in the regional, wholesale electric markets for load following, all requirements service for 100 percent of its customers’ projected load. Generally, Unitil accepts the lowest priced bid in response to each RFP for providing service. Unitil then converts the wholesale cost of that service to retail rates charged to customers. Though this has been the established process, Unitil has been open to potential improvements to the process to assure the best outcomes for customers who choose to remain with default service.

In line with this regular and recurring review of potential improvements, and particularly in light of the unprecedented volatility and high costs in the electric markets, Unitil seeks to propose a shift in the procurement of default service. To accomplish this shift, there will need to be a single “off cycle” change, as described below, for which Unitil seeks the Commission’s approval. Also as described below, in Unitil’s view this shift will be beneficial to customers in the short-term, and will help make it more likely that customers will see long term benefits.

**II. DESCRIPTION OF PROPOSED CHANGES**

As noted above, Unitil procures default service by issuing RFPs twice per year. Generally, Unitil issues its RFPs in February and August for service to begin on June 1 and December 1, respectively. The state’s other EDCs use the same basic method of procurement – issuing RFPs twice per year for six-month service periods – but issue their RFPs so that they will have service in place for periods beginning August 1 and February 1. Having the service periods aligned as Unitil does means that the usually higher priced summer months of July and August are grouped together, and the higher priced winter months of January and February are grouped together. This leads to prices and rates that have a distinctly seasonal shift. By contrast, the timing of the other EDCs’ service periods breaks up the higher priced winter and lower priced summer periods and

leads to more average annual rates. Unitil is proposing that it shift its procurement and service periods to match those of the other EDCs.

Specifically, Unitil is proposing that for its next procurement, the Commission approve Unitil procuring for eight months of service, rather than the typical six months. This single solicitation for eight months of service, from December 1, 2022 to July 31, 2023, will allow Unitil to align its procurement period with the other EDCs. Then, beginning in mid-2023, Unitil would return to making solicitations for six months of service, but the service periods would be for service beginning on August 1 and February 1. Unitil is aware that the Commission intends to review default service procurement by the state's EDCs in a generic investigation and is not intending to interfere with that investigation. Rather, for the reasons described in Section III below, Unitil is seeking to make this adjustment at this time, but will participate in the Commission's investigation and implement any changes approved by the Commission as a result of the investigation.

### III. DESCRIPTION OF BENEFITS

As noted previously, Unitil has, for many years, timed its procurements and service periods differently from the other EDCs. Unitil has also, however, been reviewing the state of the electric markets and the expected future prices of electricity and its review indicates that making the proposed shift at this time will be beneficial to customers.

In its review of bids in response to its RFPs, and more generally, Unitil reviews the state of the energy futures markets. Based on its most recent reviews of the futures markets for the up-coming service periods, there appears to be a strong possibility of very high wholesale prices during the coming winter period, which would translate to high retail rates. Also in Unitil's review, however, the pricing of futures markets for the coming early summer – the months of June and July 2023 – appear to moderate. Based on this information, conducting an RFP for eight months of service and including June and July 2023 in that bidding would likely have the effect of reducing the overall wholesale cost and retail rates.

To illustrate the above point, included with this statement as Attachment A is a supply price forecast of Unitil's residential loads for the six month period of December 2022 through May 2023, and Attachment B, which is a supply price forecast of those same residential loads for the eight month period of December 2022 through July 2023. As Attachments A and B show, this estimate of future prices would result in a significant decrease in costs by moving to eight months, rather than six months. Though the prices are still high in comparison to historical levels, an eight month solicitation would have the effect of moderating the prices. Similarly, included as Attachments C and D are illustrative retail rate calculations for the residential class using the information from Attachments A and B. As would be expected, the lower average wholesale prices of the eight month solicitation would result in lower average retail prices for the same period. Attachment E provides a summary and comparison of the estimated residential Default Service Charges and bill impacts. Given that these are all projected futures prices rather than actual bids, the prices and rates are all estimates that will be ultimately determined by market response to the Company's RFP. This evaluation, however, is based upon the same publicly available information that default service suppliers review and rely upon and, in Unitil's view, is a reasonable estimate of the costs in the coming periods.

While the short-term price mitigation is a clear benefit of the shift proposed by Unitil, there will be other, longer-term benefits as well. As noted, the Commission intends to conduct a review of default service procurement generically. Having all of the state's EDCs on the same procurement and service cycle will likely make comparisons between the companies easier. Further, to the extent any improvements in the process are identified, those improvements could be implemented at the same time for all companies across the state. Additionally, Unitil is aware that the Commission will likely soon adopt final rules for the implementation of municipal aggregations in New Hampshire. Given the schedule for adoption, it seems reasonable to conclude that the first aggregations will look to launch in mid-2023. If all EDCs have same service periods, it will be easier for those aggregations to understand the potential impacts on their launch when the municipalities are served by multiple EDCs.

#### **IV. CONCLUSION**

. Given the potential to mitigate high prices in the coming winter period, Unitil views its next solicitation as the most advantageous time to make the adjustment to the timing of its default service. Therefore, Unitil is requesting that the Commission approve its solicitation of eight months of service and, thereafter, its return to six month procurements for service periods aligned with the state's other EDCs.