

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-017

UNITIL ENERGY SYSTEMS, INC.

2022 Schedule for Default Service

Order Approving Petition

O R D E R N O. 26,601

April 1, 2022

This order authorizes Unitil to recover the costs of power supply through energy service rates effective with service rendered on and after June 1, 2022. The order approves a six-month energy service rate of 10.117 cents per kilowatt hour (kWh) for residential customers taking energy service from Unitil. For a residential customer using 650 kWh per month, the result will be a decrease in the monthly bill from \$180.25 to \$132.14, or about \$48.11 less, compared to the six-month period ending May 31, 2022. The typical monthly bills for small commercial customers taking energy service from Unitil will decrease by approximately 24.3 percent compared to the six-month period ending May 31, 2022. The residential energy service rate is 3.026 cents per kWh higher than the same six-month period (June-November) a year earlier. These rates include charges of approximately 0.44 to 0.47 cent per kWh for Renewable Portfolio Standard (RPS) compliance costs. For residential customers, these RPS costs represent approximately 4.3 percent of the total energy charge.

I. PROCEDURAL HISTORY

On March 28, 2022, Unitil Energy Systems, Inc. (Unitil, or the Company) filed a petition requesting approval of its solicitation and procurement of energy service for: (1) residential (Rate D) customers, or, "small customers"; (2) small commercial (Rate G2) and outdoor lighting (Rate OL) customers, or, collectively, "medium customers";

and (3) large commercial and industrial (Rate G1) customers, or, "large 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, 2022. Unitil selected Hydro Quebec Energy Services (HQUS) as the winning bidder for the residential and small commercial/outdoor lighting customer group contracts, and NextEra Energy Marketing, LLC (NextEra) for the G1 large commercial and industrial customer group.

Unitil filed its petition pursuant to the terms of a settlement agreement approved in Order No. 24,511 (September 9, 2005), as modified by subsequent orders, most recently by Order No. 25,397 (July 31, 2012). With its petition, Unitil filed the testimony of Jeffrey M. Pentz, Senior Energy Analyst, Linda S. McNamara, Senior Regulatory Analyst, and Daniel T. Nawazelski, Lead Financial Analyst, with exhibits and proposed tariff revisions. Unitil states that the calculation of working capital included in the Power Supply Charge and the Renewable Portfolio Standard (RPS) Charge rely on the results of the 2021 UES Default Service and Renewable Energy Credits Lead/Lag Study. Unitil also submitted its monthly customer migration report for the twelve months ending February 2022. Pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07, Unitil requested confidential treatment of the following documents: portions of Tab A of Schedule JMP-1; Page 5 of Schedule LSM-2; Page 3 of Schedule LSM-4; and Schedule DN-2. For this solicitation, having advanced notice of Unitil's petition made by a Company filing on March 21, 2022, the Commission issued a Commencement of Adjudicative Proceeding and Notice of Hearing Order on March 25, 2022, scheduling a hearing for March 31, 2022. The hearing was held as scheduled, where representatives of the New Hampshire Department of Energy (Energy) also appeared.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-017.html>

II. POSITIONS

A. Unitil

On February 22, 2022, Unitil issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period June 1, 2022, through November 30, 2022. On March 8, 2022, 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 22, 2022. Unitil said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil to facilitate the transactions, 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 evaluations, the Company notified the winning bidders.

Unitil selected HQUS as the winning bidder for the small customer (Non-G1) supply requirement (100% share) and medium customer (Non-G1) supply requirement, (100% share), and NextEra as the winning bidder for the large customer (G1) supply requirement (100% share). All three transactions are for a period of six months. With respect to the supply requirements, Unitil believes that HQUS and NextEra each offered the best overall value in terms of price and non-price considerations for their respective supply requirement shares. Schedule JMP-1 of Unitil's filing contains a more detailed description of the bid evaluation process. The

Company attached to Mr. Pentz's testimony the standard Power Supply Agreement (PSA) and redlined versions of the final Power Supply Agreements with the winning bidders. Unitil testified that the results of the RFP indicate that the market price for power for the small and medium customer classes (Non-G1) for the upcoming period from June 1, 2022, through November 30, 2022, is about 60 percent higher than the same period last year, while for the large customer class (G1) adder, pricing is about 6.7 percent lower than the same period a year ago. Unitil suggested that one factor contributing to the increase in prices compared to the same period a year ago was higher forward natural gas prices compared to forward prices a year ago.

Unitil included a renewable portfolio standard (RPS) compliance adder with power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which Unitil obtains revenue to meet its RPS obligations under RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to purchase qualifying renewable energy certificates (RECs), where one REC represents one megawatt hour of power produced by a qualified renewable generation source. Unitil issues an RFP twice a year to obtain RECs. Unitil issued an RFP in October 2021 for approximately half of its 2021 and 2022 RPS requirements. Unitil plans to issue a second RFP in October 2022 for the remainder of the Company's 2022 RPS requirements and half of its 2023 requirements. Unitil may also make REC purchases outside of the RFP process when it finds it advantageous to do so. Effective with rates on June 1, 2022, the RPS compliance adder will be 0.438 cents per kWh for the small and medium customer groups. For the G1/large customer group, the RPS adder will be 0.467 cents per kWh in June through November 2022. Unitil based its cost estimates for the RPS adder on current market prices as communicated by brokers of

renewable products, recent REC purchases, and Alternative Compliance Payment rates.

Based on the process offered by the winning bidders, Unitil calculated the fixed rate for the energy component of the Company's residential rate to be 9.679 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to be 8.932 cents per kWh. The resulting energy service rate after adding the RPS charge for residential customers is 10.117 cents per kWh, which will result in a decrease of approximately 26.7 percent in monthly bills for customers using 650 kWh per month from rates currently in effect. Among the medium customer groups, the energy service fixed rate for small commercial customers will be 9.370 cents per kWh, resulting in a decrease of approximately 24.3 percent in monthly bills for customers using 2,800 kWh per month; the proposed rate for outdoor lighting customers is also 9.370 cents per kWh, resulting in monthly bill decreases, on average, of approximately 14.5 percent.

Unitil represented that expected bill impacts for G1/large customers are unknown because, in the upcoming six-month period, the power supply charge component of G1 customer bills will be determined monthly based on the Real-Time Hourly Location Marginal Price of power for the ISO-New England New Hampshire Load Zone, plus an adder to cover non-energy wholesale supplier costs.¹ 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 requested that the price estimates of RECs be included in retail rates.

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

B. Energy

Energy, in a statement made at hearing, advised that Unitil had complied with Commission orders regarding the solicitation, evaluation, and selection of the winning bidders, and that the proposed rates are market-based and just and reasonable. Energy also said that it required more time to fully assess the Company's 2021 lead/lag study, though an initial review did not uncover any issues; and that Energy would alert the Company and the Commission, as appropriate, if further review uncovered matters requiring reconciliation of rates. Energy recommended that the Commission approve Unitil's petition, and the resulting rates, as well as the Company's 2021 Default Service and Renewable Energy Credits Lead Lag Study, subject to reconciliation.

III. COMMISSION ANALYSIS

We find that Unitil's solicitation and bid evaluation process conform with 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 that the resulting rates are market-based and just and reasonable. We find Unitil's selection of HQUS and NextEra to provide power supply for the three (small, medium, and large) customer groups to be consistent with prior Commission orders. We also find Unitil's price estimates of RECs, which are reconciled annually, are appropriate and we approve the price estimates for inclusion in retail rates effective June 1, 2022. We will also approve the results of the Company's 2021 Default Service and Renewable Energy Credits Lead Lag Study used in the calculation of the working capital requirements to be just and reasonable, subject to the proviso that they are subject to reconciliation on further review by Energy and the Company itself.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by Unitil with Hydro Quebec Energy Services for 100 percent of power supply requirements for Small and Medium (Non-G1) customers; and NextEra Energy Marketing, LLC for 100 percent of power supply requirements for Large G1 customers, all for the six-month period beginning June 1, 2022, are hereby APPROVED; and it is


FURTHER ORDERED, that Unitil's request to recover the costs of the power supply agreements through rates effective with services rendered on and after June 1, 2022, through November 30, 2022, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil is authorized to use the price estimates of renewable energy certificates in its calculation of energy service rates; and it is

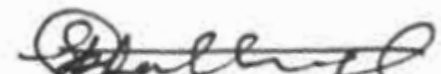
FURTHER ORDERED, that Unitil is authorized to use the results of the 2021 lead/lag study in the calculation of rates, subject to any reconciliation; and it is

FURTHER ORDERED, that Unitil 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. Code Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this first day of April, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket# : 22-017

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