

**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. 26,694

September 30, 2022

This order authorizes UES to recover the costs of energy service, also called Default Service, for service rendered on and after December 1, 2022. The order approves an eight-month energy service rate, which includes the power supply charge and RPS charge, of 25.925 cents per kilowatt hour (kWh) for residential customers taking energy service from UES.

	Residential Rates				
	Effective Date	Power Supply Charge	RPS	Other Charges	Total kWh Charges
Proposed Rates	12/1/2022	\$0.25397	\$0.00528	\$0.07727	\$0.33652
Current Rates	6/1/2022	\$0.09679	\$0.00438	\$0.07727	\$0.17844
Prior Year Rate	12/1/2021	\$0.16742	\$0.00776	\$0.07717	\$0.25235

For a residential customer using 650 kWh per month, the result will be an increase in the monthly bill from \$132.21 to \$234.96 or about \$102.75 more, compared to the six-month period ending November 30, 2022. The residential energy service rate is 8.407 cents per kWh higher than that for the prior year rate, that is, the winter period of 2021-2022.

The typical monthly bills for small commercial customers taking energy service from UES will increase by approximately 87.4 percent, compared to the six-month period ending on November 30, 2022. (UES has shifted to a one-time eight-month

energy service period for December 2022 through July 2023, pursuant to the terms of Order No. 26,679 (September 9, 2022), as UES is moving to an (1) August 1 to January 31 and (2) February 1 to July 31 energy service schedule beginning in 2023).

The Commission does not administratively set the prices offered by wholesale electricity suppliers operating in the regional ISO-New England market to UES for serving UES's energy service load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where UES endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding, and approves the resultant rates under the governing statutory standards. These rates also include charges of approximately 0.53 to 0.55 cent per kWh for Renewable Portfolio Standard (RPS) compliance costs.

I. BACKGROUND

On September 23, 2022, Unitil Energy Systems, Inc. (UES, 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 eight-month period beginning December 1, 2022, and ending on July 31, 2023. Order No. 26,679. UES selected Constellation Energy Generation, LLC (CEG) as the winning bidder for the residential and small commercial/outdoor lighting customer group contracts, and Hydro Quebec Energy Services (HQUS) for the G1 large commercial and industrial customer group.

UES 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), and Order No. 26,679. With its petition, UES filed the testimony of Jeffrey M. Pentz, Senior Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst. UES indicated that changes were made to its Schedule DS tariff to state that Non-G1 customers returning to UES default service from a competitive supplier or self-supply during the rate period who were automatically placed on variable pricing will now be automatically moved to fixed pricing unless they notify the Company. See Hearing Exhibit 3, McNamara Testimony, Bates Page 167. The Company also presented certain technical adjustments to its Time of Use (TOU) and Electric Vehicle (EV) rate class schedules. Hearing Exhibit 3, McNamara Testimony, Bates Pages 168-169. UES states that the calculation of working capital included in the Power Supply Charge and RPS Charge rely on the results of the 2021 UES Default Service and Renewable Energy Credits Lead/Lag Study. *Id.* at Bates Page 173.

Pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07, UES requested confidential treatment of the following documents: portions of Tab A of Schedule JMP-1; Page 2 of Schedule LSM-2; and any correspondence or discovery exchanged with the Commission, the New Hampshire Department of Energy (DOE), and the Office of the Consumer Advocate (OCA) which contain confidential material. For this solicitation, the Commission issued a Procedural Order on September 26, 2022, scheduling a hearing for September 30, 2022. The OCA filed its letter of participation on September 26, 2022. The hearing was held as scheduled, where the Company, the OCA, and the DOE appeared. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

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>

On August 23, 2022, UES issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period December 1, 2022, through July 31, 2023. On September 6, 2022, UES received indicative proposals that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. UES received final bids on September 20, 2022. UES said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to UES 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. See Hearing Exhibit 3, Bates Pages 17-18.

UES selected CEG as the winning bidder for the small customer (Non-G1) supply requirement (100% share) and medium customer (Non-G1) supply requirement, (100% share), and HQUS as the winning bidder for the large customer (G1) supply requirement (100% share). All three transactions are for a period of eight months for this single 2022-2023 period, pursuant to the terms of Order No. 26,679, after which UES will commence a six-month offering schedule of August through January, and February through July, going forward. With respect to the supply requirements, UES believes that CEG and HQUS each offered the best overall value in terms of price and non-price considerations for their respective supply requirement

shares. Schedule JMP-1 of UES's filing contains a more detailed description of the bid evaluation process. See Hearing Exhibit 3, Bates Pages 101-158.

The Company also attached to Mr. Pentz's testimony the standard PSA and redlined versions of the final PSA's with the winning bidders. Mr. Pentz testified on behalf of the Company 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 winter 2022-2023 period, is about 59 percent higher than in the winter of 2021-2022. UES 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, due to various global factors. Hearing Exhibit 3, Pentz Testimony, at Bates Pages 9-10.

UES included a RPS compliance adder with power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which UES 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. UES issues an RFP twice a year to obtain RECs. UES plans to issue a second RFP in the fall of 2022 for the remainder of the Company's 2022 RPS requirements and half of its 2023 requirements. Hearing Exhibit 3 at Bates Page 12. UES may also make REC purchases outside of the RFP process when it finds it advantageous to do so. Effective with rates on December 1, 2022, the RPS compliance adder will be 0.528 cents per kWh for the small and medium customer groups. For the G1/large customer group, the RPS adder will be 0.548 cents per kWh for December 2022 through July 2023. UES 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, UES calculated the fixed rate for the energy component of the Company's residential rate to be 25.397 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to be 24.847 cents per kWh. *See* Hearing Exhibit 3, Bates Page 182. The resulting energy service rate after adding the RPS charge for residential customers is 25.925 cents per kWh, which will result in an increase of approximately 78 percent in monthly bills for customers using 650 kWh per month from rates currently in effect. Hearing Exhibit 3, Bates Pages 182 and 217. Among the medium customer groups, the energy service fixed rate for small commercial customers will be 25.375 cents per kWh, resulting in an increase of approximately 87.4 percent in monthly bills for customers using 2,800 kWh per month. Hearing Exhibit 3, Bates Page 217.

UES provided information indicating that expected bill impacts for G1/large customers are unknown because, in the upcoming eight-month period, the power supply charge component of G1 customer bills will be determined monthly based on market prices. Hearing Exhibit 3, McNamara Testimony, Bates Pages 175-177. UES requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. UES also requested that the price estimates of RECs be included in retail rates.

Representatives of the Company provided oral testimony at the September 30, 2022 hearing to elaborate on the matters discussed in UES's pre-filed testimony, and also provided a summary of the planned customer outreach, education, and assistance efforts that have been, and will be, extended to affected UES customers.

The Company also shared market intelligence regarding electric power prices in other New England states. For instance, Mr. Pentz, on questioning, made reference to a National Grid (Massachusetts Electric Company/Nantucket Electric Company) petition seeking a 33.89 cent per kWh rate for fixed-price Basic Service (Massachusetts' equivalent of New Hampshire energy service), to be effective on November 1, 2022, significantly higher than the comparable UES rate of 25.925 cent per kWh rate in this proceeding. (This National Grid rate does not include distribution or ancillary charges). See Mass. D.P.U. Docket No. 22-BSF-D3, available here:

<https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/15514881>

DOE, in a statement made at hearing, advised that UES 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. DOE recommended that the Commission approve UES's petition, and the resulting rates, subject to reconciliation. DOE did acknowledge its concerns of the potential adverse impacts of the increased Default Service rates, but expressed appreciation for the Company's outreach, education, and customer-assistance efforts. DOE also stated, pertaining to the 2021 lead/lag study, that it had found no issues as of the date of the hearing, and did not expect to file anything regarding the lead/lag study in future, though the DOE did reserve the right to do so.

The OCA stated at hearing that it did not request Commission approval of the Company's petition and rates, nor did it request a Commission rejection of the UES petition. The OCA expressed its concerns regarding the likely adverse impacts of the increased Default Service rates on residential ratepayers, and indicated that the OCA would be involved in efforts to find solutions to these issues going forward.

II. COMMISSION ANALYSIS

As a threshold matter, the Commission does not administratively fix Default Service energy rates for UES or any other electric utility in our State; the offering prices of the wholesale market electric power suppliers participating in UES's RFP process, responding to prevailing market conditions, drive this outcome. The Commission does, however, oversee the process used by UES for its RFP, and its calculation of the resultant Default Service rates, for compliance with industry standards, Commission statutes, rules, and orders, and accuracy, to ensure just and reasonable rates within this market-driven framework. We find that UES'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 UES. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based and just and reasonable. We find UES's selection of CEG and HQUS to provide power supply for the three (small, medium, and large) customer groups to be consistent with prior Commission orders. We also find UES's price estimates of RECs, which are reconciled annually, are appropriate and we approve the price estimates for inclusion in retail rates effective December 1, 2022. We will also approve the Company's adjustments to its TOU, EV, and Schedule DS Tariffs, and 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 for this Default Service filing, subject to the proviso that they are subject to reconciliation on any further review by DOE, the Commission, and the Company itself.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by UES with Constellation Energy Generation, LLC for 100 percent of power supply requirements

for Small and Medium (Non-G1) customers; and Hydro Quebec Energy Services for 100 percent of power supply requirements for Large G1 customers, all for the eight-month period beginning December 1, 2022, are hereby APPROVED; and it is

FURTHER ORDERED, that UES's request to recover the costs of the power supply agreements through rates effective with services rendered on and after December 1, 2022, through July 31, 2023, is hereby APPROVED; and it is

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

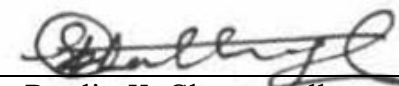
FURTHER ORDERED, that UES is authorized to use the results of the 2021 lead/lag study in the calculation of rates, subject to any reconciliation; and it is

FURTHER ORDERED, that UES shall file conforming tariff pages, incorporating the new energy service rates, and related Tariff changes presented in UES's instant petition, 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 thirtieth day of September, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket# : 22-017

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