

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

JEFFREY M. PENTZ

New Hampshire Public Utilities Commission

Docket No. DE 23-054

June 9, 2023

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LIST OF SCHEDULES

Schedule JMP-1: Bid Evaluation Report

Schedule JMP-2: Request for Proposals

Schedule JMP-3: Customer Migration Report

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”, “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 a six-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 August 1,
15 2023.

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 May 9, 2023 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 May 2022 through May 2023. 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 June 16, 2023,
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 May 9, 2023. 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. Unutil received approval from the Commission on September 9, 2022 to change
3 its previous procurement period from a six to eight month period. The one time change
4 allowed the Company to align its current and future solicitations with the other
5 investor owned utilities in the state. The current solicitation is now aligned to procure
6 for service periods August 1 through January 31, and February 1 through July 31.

7 **Q.**

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

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

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

16 **A.** The RFP provides background information and historical data, details the service
17 requirements and commercial terms, explains the process for selecting the winning
18 bidders. To gain the greatest level of market interest in supplying the load, UES
19 provided potential bidders with appropriate and accessible information. Data provided
20 included historical hourly default service loads and daily capacity tags for each
21 customer group; class average load shapes; historical monthly retail sales and

1 customer counts by rate class and supply type; and the evaluation loads, which are the
2 estimated monthly volumes that UES would use to weigh bids in terms of price. The
3 retail sales report and the historical loads and capacity tag values were updated prior to
4 final bidding to provide the latest information available.

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

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

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

14 A. Overall, the winning wholesale pricing submitted for the Small and Medium classes
15 (Non-G1) for the upcoming six month period of August 1, 2023 through January 31,
16 2024 is 51% lower than the current period of December 1, 2022 to July 31, 2023. The
17 decrease in pricing can be directly attributed to reduced volatility in the global natural
18 gas market, particularly since natural gas is predominantly the marginal cost fuel for
19 power generation in New England. Considering current market conditions, the
20 Company determined that the pricing submitted was market based and competitive.

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

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

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

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

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

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

1 A. UES reached out to a number of suppliers early in the process to solicit and gauge
2 supplier interest. Bidder response for this solicitation was significantly higher when
3 compared to the prior solicitation. Additionally, a new bidder participated in the
4 current solicitation. A few suppliers that have participated in the past elected not to do
5 so this time stating concerns about possible future volatility in the energy markets.

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

8 A. Similar to the current solicitation, UES's next default service solicitation will be for
9 one hundred percent (100%) of the small, medium and large customer supply
10 requirements for a six-month period. Delivery of supplies will begin on February 1,
11 2024. UES will be issuing the next solicitation on October 31, 2023 with final bids
12 being due November 28, 2023.

13 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

14 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
15 **requirements.**

16 A. In accordance with the settlement agreement dated July 16, 2009 in Docket No. DE
17 09-009, and as amended on December 6, 2011, UES will conduct two REC RFPs
18 during each compliance year to obtain Existing RECs and/or Forward RECs to meet
19 100% of its projected REC obligations. In addition, UES may make REC purchases
20 outside of the RFP process when it finds it advantageous to do so. To meet its 2023
21 and 2024 RPS compliance requirements, UES will issue an RFP in the fall of 2023 for

1 its remaining 2023 RPS requirements and approximately half of its 2024 RPS
 2 requirements. Tab A includes an exhibit summarizing UES’s REC purchases for RPS
 3 compliance.

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

5 A. The current solicitation is for default service power supplies to be delivered beginning
 6 August 1, 2023. Schedule JMP-4 lists the percentage of sales and the resulting REC
 7 requirement for each class of RECs for RPS compliance along with UES’s cost
 8 estimates for the period beginning August 1, 2023. UES’s cost estimates are based on
 9 current market prices as communicated by brokers of renewable products, recent
 10 purchases of RECs, and alternative compliance payment rates (“ACP”).

11 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for
 12 2023 and 2024?**

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

14

NH Renewable Portfolio Standards: 2022					
Calendar Year	Class I *	Class I Thermal	Class II	Class III	Class IV
2023	13.20%	2.2%	0.7%	8.00%	1.5%
2024	14.10%	2.2%	0.7%	8.00%	1.5%

15

16

17

*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 11% for 2023 and 11.9% for 2024

18 Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS
 19 requirements shown here.

1 **VII. CONCLUSION**

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

3 **A. Yes.**