

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-054

UNITIL ENERGY SYSTEMS, INC.

2023 Schedule for Default Service

Order Approving Petition for August 1, 2023 to January 31, 2024 Rates

ORDER NO. 26,850

June 16, 2023

This order authorizes UES to recover the costs of power supply through energy service rates¹ for effect for the six-month period of August 1, 2023, through January 31, 2024. The table below summarizes the updated, reduced rate of 13.257 cents per kilowatt hour (kWh) to be charged to UES Small Customer Group (Residential, Rate “D”) customers on Default Service for these six months. This rate includes a charge of 0.57 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. The RPS costs represent approximately 4.3 percent of the power supply charges for residential customers.

UES Residential (Rate “D”) Rates

	Effective Date	Power Supply Charge	RPS	Total kWh Charge
Prior Year Rate	6/1/2022	\$0.09679	\$0.00438	\$0.10117
Current Rate	12/1/2022	\$0.25397	\$0.00528	\$0.25925
Proposed Rate	8/1/2023	\$0.12687	\$0.00570	\$0.13257

¹ Bills for customers on default service are composed of three parts: power supply, transmission, and distribution. The energy service rates for default service customers refer to the power supply component only.

For a residential customer using 650 kWh per month, the result will be a decrease in the monthly bill from \$235.74 to \$153.40 or about \$82.34 (35 percent) less, compared to the eight-month² period ending July 31, 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.

I. BACKGROUND AND POSITIONS

On June 9, 2023, 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 six-month period beginning August 1, 2023 through January 31, 2024. UES selected NextEra Energy Marketing, LLC (NextEra) as the winning bidder for the residential and small commercial/outdoor lighting customer group contracts, *i.e.*, the small and medium customer groups, and

² UES shifted to an August 1 to January 31 and February 1 to July 31 Default Service schedule, as approved in Commission Order No. 26,694 (Sept. 30, 2022) in Docket No. DE 22-017, which necessitated an eight-month procurement period of December 1, 2022 through July 31, 2023 to accommodate the shift.

Constellation Energy Generation, LLC (CEG) 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, the most recent being Order No. 26,694 (September 30, 2022). With its petition, UES filed the testimony of Jeffrey M. Pentz, Senior Energy Analyst, Linda S. McNamara, Senior Regulatory Analyst, and Daniel T. Nawazelski, Manager, Revenue Requirements, all personnel with Unitil Service Corp., UES's service-company affiliate.

Certain schedules included in the Company's filings contain information that UES claims is confidential pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07. This material includes the Company's bid evaluation and summary information, renewable energy certificate pricing, and other confidential pricing terms. For this solicitation, the Commission issued a Commencement of Adjudicative Proceeding and Notice of Hearing Order on May 25, 2023, scheduling a hearing for June 13, 2023. The OCA filed its letter of participation on May 22, 2023. The hearing was held on June 13, 2023 as scheduled, where the Company, the OCA, and the DOE appeared, and Messrs. Nawazelski and Pentz, and Ms. McNamara, provided additional oral testimony in support of the Company's petition. 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/2023/23-054.html>

On May 9, 2023, as described in the testimony of Mr. Pentz, UES issued requests for proposals (RFPs) for energy service for its small, medium, and large

customer groups for the period August 1, 2023, through January 31, 2024. On May 23, 2023, 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 June 6, 2023. 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. Hearing Exhibit 2 at Bates Page 20. After completing the bid evaluations, the Company notified the winning bidders.

UES selected NextEra as the winning bidder for the small customer (Non-G1) supply requirement (100% share) and medium customer (Non-G1) supply requirement, (100% share), and CEG as the winning bidder for the large customer (G1) supply requirement (100% share). All three transactions are for a period of six months, commencing on August 1, 2023, and ending on January 31, 2024. With respect to the supply requirements, UES believes that NextEra and CEG 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 2, Schedule JMP-1.

The Company also attached to Mr. Pentz's testimony the standard PSA and redlined versions of the final PSA's with the winning bidders. Hearing Exhibit 2, Schedule JMP-2. 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 six-month period, is about 51 percent lower than in the current December 2022 to July 2023 default service period. Hearing Exhibit 2 at

Bates Page 20. UES suggested that one factor contributing to the decrease in prices is reduced volatility in the global natural gas market, particularly since natural gas is predominately the marginal cost fuel for power generation in New England. *Id.*

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 an RFP in the fall of 2023 for the remainder of the Company's 2023 RPS requirements and approximately half of its 2024 requirements. Hearing Exhibit 2 at Bates Pages 22-23. Effective with rates on August 1, 2023, the RPS compliance adder will be 0.57 cents per kWh for the small and medium customer groups. For the G1/large customer group, the RPS adder will be 0.686 cents per kWh for August 2023 through December 2023, and 0.719 cents per kWh for the month of January 2024. 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.

As outlined in the testimony of Ms. McNamara, 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 12.687 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to be 12.224 cents per kWh. Hearing Exhibit 2 at Bates Page 162. The resulting energy service rate after adding the RPS charge for residential customers is 13.257 cents per kWh, which will result in a decrease of approximately 35 percent in monthly bills for

customers using 650 kWh per month from rates currently in effect. Hearing Exhibit 2, Bates Pages 163 and 173. Among the medium customer groups, the energy service fixed rate for small commercial customers will be 12.794 cents per kWh, resulting in a decrease to bills similar to that expected for residential customers. *Id.*

UES provided information indicating 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 market prices. Hearing Exhibit 2, Bates Page 168. 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.

UES further indicated, in the testimony of Ms. McNamara and Mr. Nawazelski, that the calculation of working capital applied to the power supply and RPS charges used in this petition rely on the results of the 2022 Default Service and Renewable Energy Credits Lead Lag Study, which is updated from that used in the last UES default service proceeding. Mr. Nawazelski's testimony, in particular, provided technical detail regarding this Lead Lag Study. The Company requested Commission approval of this study, subject to further review and investigation if necessary.

Representatives of the Company provided oral testimony at the June 13, 2023 hearing to elaborate on the matters discussed in UES's pre-filed testimony. In particular, Mr. Pentz provided some qualitative narrative regarding the recent market elements driving pricing outcomes for the Company's solicitation for this upcoming Default Service period. Mr. Pentz noted that, to some extent, ISO-New England reliability initiatives undertaken to ensure winter system reliability (Mystic Cost of Service contract and Inventory Energy Program) in the context of ongoing New

England regional winter gas-supply constraints would be expected to contribute to higher bid prices for the Company's load, though Mr. Pentz did not venture an estimate regarding how this increased cost could be quantified precisely. The Commission responded to this disclosure by requesting that Mr. Pentz, in a Record Request response, provide a narrative, qualitative summary of his views regarding the impacts of the Mystic Cost of Service contract and the Inventory Energy Program on the RFP pricing outcomes. *See* Hearing Exhibit 3. Mr. Pentz did note that the bids for the Company's solicitation were "tightly clustered," which served as an indicator of competitiveness for the RFP. Mr. Pentz also described how UES's Massachusetts affiliated electric utility, Fitchburg Gas & Electric (FG&E), accommodated a failed RFP round for its default service by integrating ISO-New England market-based procurement into its approach, which resulted in rates roughly half of those resulting from requirements contract-based procurements. Messrs. Pentz and Nawazelski also affirmatively indicated to the Commission that the Company could provide a monthly summary schedule filing comparing the monthly average ISO-New England market prices with the contractual prices secured by UES through this RFP.

In its closing statement, UES requested that the Commission approve the rates submitted in this instant petition as just and reasonable, and expressed its appreciation for the cooperation of the DOE and OCA in the review proceeding.

DOE, in a statement made at hearing, advised that it supported approval of UES's petition as presenting Default Service rates that were market-based, just, and reasonable, and in conformity with the requirements of the relevant laws and Commission Orders governing the process. In response to Commission questioning, the DOE confirmed that it would prepare an analytical review regarding the UES 2022 Lead-Lag study in time for the next Default Service review proceeding.

The OCA stated at hearing that it had no objections to the Company's petition and expressed its appreciation for the collaborative review process extended by the Company and DOE, especially through a technical session that preceded the Commission hearing.

II. COMMISSION ANALYSIS

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 NextEra and CES 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 August 1, 2023. We will also approve the results of the Company's 2022 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. We appreciate the DOE's commitment to provide the results of its analytical review of the Lead-Lag Study in time for the next Default Service review proceeding for the Company. The Commission also appreciates the prompt response to the Record Request propounded in Exhibit 3 which provided additional discussion on the historical NYMEX ratios to support the Company's determination that the latest solicitation was competitive.

The Commission again notes that though we have not had regulatory authority over power generation since New Hampshire's utilities divested their interests in

generation/power supply assets, the Commission has the ability to oversee the procurement process, to ensure that the default service prices are robustly competitive. In light of this responsibility, we interpret the Company's recent efforts to serve a portion of its Massachusetts FG&E affiliate's load through ISO-New England market-based procurements for default service customers, which yielded notably lower prices, as successful. Furthermore, we see a recent general trend of higher contractual prices for default service RFP procurements, even in times of reduced energy-market volatility (as for the current procurement). We therefore encourage the Company to explore, for its upcoming Default Service solicitation, the possibility of including a day-ahead and real-time ISO-NE market based procurement tranche for a portion of its Small and Medium customer group load, given the Company affiliate's success in lowering prevailing default service prices.

Furthermore, we encourage UES to develop contingency plans for potential failure of RFP solicitations, either due to a lack of qualified bidders, or unacceptable pricing outcomes, with the understanding that the current Company RFP format, as approved in Order No. 25,397 (July 31, 2012), et al., gives UES the right to modify provisions in its default service RFPs, to withdraw RFPs, or to reject RFP bids, under Commission oversight. See Docket No. DE 12-003, UES revisions to RFP format, filed June 5, 2012, Schedule RSF-1, Page 8 of 15.³

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by UES with NextEra Energy Marketing, LLC for 100 percent of power supply requirements for Small and Medium (Non-G1) customers; and Constellation Energy Generation, LLC for

³ <https://www.puc.nh.gov/Regulatory/CASEFILE/2012/12-003/INITIAL%20FILING%20-%20PETITION/12-003%202012-06-05%20UES%20ATT-TESTIMONY%20R%20FURINO.PDF>; see also Hearing Exhibit 2 (presenting 2023 RFP format), at Bates Pages 101-102.

100 percent of power supply requirements for Large G1 customers, all for the six-month period beginning August 1, 2023, 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 August 1, 2023, through January 31, 2024, 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 updated 2022 lead/lag study in the calculation of rates, subject to any reconciliation; and it is

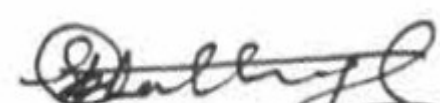
FURTHER ORDERED, that UES, for this upcoming default service rate period, is to file, by the 10th day of the following month, a summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for UES's Small and Medium customer groups; and it is

FURTHER ORDERED, that UES 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 sixteenth day of June, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-054

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