

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-054

UNITIL ENERGY SYSTEMS, INC.

2023 Default Service Solicitations

Order Approving Modifications to Default Service Procurement

ORDER NO. 26,973

March 15, 2024

This order approves Unitil Energy Systems, Inc.'s (UES's) proposal, made in response to a Commission directive, for the introduction of an ISO-New England market-based procurement tranche of 10 percent for its small and medium Default Service customer groups. This change is to be implemented for the August 1, 2024 to January 31, 2025 Default Service period, and is expected to provide cost savings for Default Service customers.

I. BACKGROUND AND POSITIONS

On December 8, 2023, the Commission issued Order No. 26,910, in which it required UES to file

a proposal for an ISO-New England market-based procurement tranche for 10 to 20 percent, through whatever combination of direct Day Ahead and Real-Time ISO-New England market acquisitions the Company finds advisable, for [UES's] upcoming August 2024-January 2025 energy service period for its small and medium customer groups, to be assessed by the Commission in a future phase of this proceeding.

Id. at 10. The Commission launched this directive following evidence, provided by UES in reports ordered by the Commission, that there was a significant pricing differential between the requirements contracts entered into by UES for serving its default service load, and the prevailing monthly ISO-New England

market prices, including capacity costs and ancillary costs, with the requirements-contract prices being markedly higher. *Id.* at 7.

On January 22, 2024, UES made its proposal pursuant to the requirements of Order No. 26,910, in a petition filed in this instant Docket No. DE 23-054. The proposal and subsequent 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>

As part of its proposal, UES included the written testimony of Mr. Jeffrey M. Pentz (Supervisor, Energy Supply at Unitil Service Corp., UES's service-company affiliate) and Ms. Linda S. McNamara (Senior Regulatory Analyst at Unitil Service Corp.) (Pentz-McNamara Testimony), with supporting attachments. *See* Hearing Exhibits 7, 8, and 9. The Pentz-McNamara Testimony delineated the UES proposal for including a 10 percent ISO-New England market-based procurement tranche for UES's small (residential Rate 'D') and medium (small commercial Rate 'G2' and outdoor lighting Rate 'OL') Default Service customer groups.

On February 8, 2024, the Commission issued a supplemental order of notice commencing this phase of the proceeding, and scheduling a hearing on the UES proposal for March 14, 2024. On February 20, 2024, the Community Power Coalition of New Hampshire (Community Power) filed a timely petition for intervention pursuant to RSA 541-A:32 and N.H. Code Admin. Rules Puc 203.17.

On March 7, 2024, the New Hampshire Department of Energy (DOE), as requested by the Commission in its supplemental order of notice, filed a Technical Statement by its Utility Analyst, Mr. Stephen R. Eckberg, regarding the UES proposal. On March 14, 2024, the hearing in this matter was held as scheduled, where

representatives of UES, the DOE, and the Office of the Consumer Advocate (OCA) appeared, and Community Power was granted intervention pursuant to the discretionary intervention standard of RSA 541-A:32, II. Mr. Pentz and Ms. McNamara also provided oral testimony in support of the UES proposal at the March 14 hearing and responded to Commission inquiries regarding same.

The UES proposal, as described in detail in the Pentz-McNamara Testimony, Hearing Exhibit 7, would operate as follows. For the Small and Medium Default Service customer group loads, UES would continue to use its existing Request for Proposals (RFP) process to procure full requirements service for 90 percent of its default service load requirements via fixed price contracts with wholesale suppliers. UES would procure the remaining 10 percent of load requirements via the self-supply process, whereby UES would make direct purchases and settlement in the ISO-New England real-time markets. Exhibit 7 at Page 3. UES would make all purchases for energy for this 10 percent tranche in the Real-Time ISO-New England markets. Additional ancillary charges would be paid by UES to ISO-New England (Forward Capacity, Ancillary Services, and other charges, such as the Inventoried Energy Program), and passed through to Default Service rates. *Id.* at Page 4. UES would still set its Default Service rates for the Small and Medium customer groups with fixed, six-month rates, with the rate reflecting a weighted average of the actual monthly requirements contract prices over the future six-month period, plus an estimate of the costs of the market-based supply. *Id.* at Pages 4-5; *see also* Hearing Exhibit 9. Any variation, positive or negative, between these estimated market prices and actual market prices would be dealt with through the existing Default Service reconciliation process and rate components. UES did note that certain Tariff modifications to implement the proposal, after Commission approval, could be necessary, and could be

presented in the next Default Service rate proceeding, for the August 2024 to January 2025 rates. UES also expected that its working capital requirements, presented as part of its lead/lag study for its Default Service rates, would require updating if the Commission were to approve this proposal. *Id.* at Pages 5-8.

At hearing, Mr. Pentz and Ms. McNamara provided additional elaboration for the reasoning behind UES's selection of certain features of its proposal. For instance, Mr. Pentz stated that the proxy market prices for power in the ISO-New England markets provided in the illustrative schedules, Hearing Exhibits 8 and 9, were based on NYMEX futures prices for the August 2024 to January 2025 period, and that the NYMEX futures price incorporates time-based risk, which means that ISO-New England Real-Time market prices may be ultimately lower. For instance, Mr. Pentz stated that on average, ISO-New England Real-Time market prices were approximately \$44 per MWh since 2019. Also, Mr. Pentz elaborated on UES's choice of the Real-Time ISO-New England market as opposed to the Day-Ahead ISO-New England market being used as the primary source of supply for the 10 percent tranche, which, Mr. Pentz stated, was due to the very small load implicated in this tranche (approximately 0.25 percent of total New England system load), and the avoidance of administrative costs associated with participating in the Day-Ahead ISO-New England market and forecasting daily loads to enable such day-ahead participation, which made the Real-Time market a preferred and a more practicable source of self-supply. In its closing statement, UES recommended Commission approval of its proposal as just and reasonable, and in advance of early April.

The DOE, in its statements made at the March 14 hearing and in Mr. Eckberg's Technical Statement, stated that any Commission approval of the UES proposal should be on a strictly "experimental" basis, due to concerns regarding potential price

volatility impacts in the ISO-New England markets. The OCA echoed these concerns in its own statements made at hearing; both the DOE and OCA did not object to the Commission's approval of the UES proposal as filed.

II. COMMISSION ANALYSIS

In assessing the UES proposal to modify its default service procurement process, the Commission is required to consider whether the proposal is consistent with: the principles elucidated in the relevant prior Commission orders (*see* Order No. 24,511 (September 9, 2005), Order No. 24,921 (December 12, 2008), Order No. 25,397 (July 31, 2012), Order No. 26,679 (September 9, 2022), and Order No. 26,694 (September 20, 2022)); the Electric Utility Restructuring Policy Principles governing default service in RSA 374-F:3, V(c)-(e); and the goal of cost-effectively meeting the state's energy needs and reducing the burden on ratepayers, in RSA 378:37 and RSA 12-P:7-a. The Commission must also assess whether the resulting rates would be just and reasonable as required by RSA 374:2, RSA 378:5, and RSA 378:7.

Having reviewed the UES proposal and the supporting data presented by UES, including its monthly pricing-comparison reports filed in this docket, we find that the proposal meets the above-listed standards, and will produce market-based, just and reasonable, and cost-effective rates for UES small and medium group customers. Given the ongoing broad differential between the ISO-New England prevailing monthly market prices, including all components, and the requirements-contract prices being paid by UES, we expect that this approach will offer savings for UES default service customers, and offer a valuable process for a market-based procurement approach. We also expect that this proposal will support more competitive energy market outcomes in line with the Restructuring Policy Principles incorporated by statute. We find that UES's rate projections and reconciliation structure embedded in its proposal

are also just and reasonable, and will produce rates that are predictable, transparent, and reflective of energy market conditions.


We therefore APPROVE the UES proposal for these reasons, for implementation in the August 1, 2024 through January 31, 2025 Default Service rate period; we would expect that any necessary Tariff or Working Capital modifications would be presented to the Commission by UES as part of its upcoming (June 2024) Default Service rate proposal made for that rate period. We also hereby ORDER UES to continue filing its monthly 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, pursuant to the current timing and format for these reports, in the instant DE 23-054 docket. We thank UES for its active and thoughtful engagement in this process.

Based upon the foregoing, it is hereby

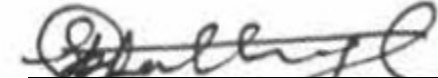
ORDERED, that the UES proposal for implementation of a 10 percent ISO-New England market-based supply tranche for its Small and Medium Default Service customer groups is APPROVED, for implementation in the August 1, 2024 to January 31, 2025 Default Service period, with modified Tariff pages and Working Capital calculations to be filed as part of UES's upcoming Default Service rate proposal for that rate period; and it is

FURTHER ORDERED, that UES shall continue its monthly reporting of its pricing comparison reports as delineated herein, and with the same timing and format, in this instant Docket No. DE 23-054.

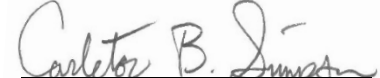
By order of the Public Utilities Commission of New Hampshire this fifteenth day of March, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-054

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