

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

JEFFREY M. PENTZ

New Hampshire Public Utilities Commission

Docket No. DE 23-054

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000001

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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 February 1,
15 2024.

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 October 31, 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 October 2022 through October 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 December 8,
8 2023, 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 October 31, 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.** No.

3 **Q. In the Commission's order 26,850 issued on June 16, 2023 approving default**
4 **service rates for the period August 2023 through January 2024, the Commission**
5 **encouraged the Company to procure a tranche in the day-ahead or real-time**
6 **ISO-NE market. Did the Company consider a market-based tranche?**

7 **A.** UES had concerns about the inclusion of a market-based tranche in the current
8 solicitation. The Department of Energy has an open investigation into the procurement
9 of Default Service, and the Company feels it would be imprudent to introduce such a
10 significant change to the solicitation process prior to the completion of the
11 investigation. Additionally, the introduction of a market-based tranche could expose
12 customers to the swings of the hourly day ahead and real time markets. The
13 introduction of a market-based tranche would inevitably result in monthly variable
14 pricing, removing the fixed price certainty that mass market customers are accustomed
15 to.

16

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

18 **A.** UES announced the electronic availability of the RFP to a list of power suppliers and
19 brokers. The RFP was also distributed to all members of the NEPOOL Markets
20 Committee. As a result, the RFP had wide distribution throughout the New England
21 supply marketplace, including distribution companies, consultants, and members of

1 public agencies. UES followed up the E-mail solicitation with outreach to power
2 suppliers to solicit their interest in bidding on any and all customer classes.

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

4 A. The RFP provides background information and historical data, details the service
5 requirements and commercial terms, explains the process for selecting the winning
6 bidders. To gain the greatest level of market interest in supplying the load, UES
7 provided potential bidders with appropriate and accessible information. Data provided
8 included historical hourly default service loads and daily capacity tags for each
9 customer group; class average load shapes; historical monthly retail sales and
10 customer counts by rate class and supply type; and the evaluation loads, which are the
11 estimated monthly volumes that UES would use to weigh bids in terms of price. The
12 retail sales report and the historical loads and capacity tag values were updated prior to
13 final bidding to provide the latest information available. Additionally, a supplemental
14 data file including load volumes sorted by rate class and supply type were provided for
15 each individual town in the UES service territory.

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

17 A. UES evaluated the bids on both quantitative and qualitative criteria, including price,
18 market conditions, creditworthiness, willingness to extend adequate credit to UES to
19 facilitate the transaction, capability of performing the terms of the RFP in a reliable
20 manner and the willingness to enter into contractual terms acceptable to UES. UES
21 compared the pricing strips proposed by the bidders by calculating weighted average

1 prices for the supply requirement using the evaluation loads that were issued with the
2 RFP.

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

4 A. Overall, the winning wholesale pricing submitted for the Small and Medium classes
5 (Non-G1) for the upcoming six-month period of February 1, 2024 through July 31,
6 2024 is 21.5% lower than the current period of August 1, 2023 to January 31, 2024.
7 The decrease in pricing can be attributed to reduced volatility and lower prices in the
8 global natural gas market, particularly since natural gas is predominantly the marginal
9 cost fuel for power generation in New England. Considering current market
10 conditions, the Company determined that the pricing submitted was market based and
11 competitive.

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

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

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

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

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

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

14 A. UES reached out to a number of suppliers early in the process to solicit and gauge
15 supplier interest. Bidder response for this solicitation was similar when compared to
16 the prior solicitation. A couple suppliers that have participated in the past elected not
17 to do so this time stating concerns primarily about municipal aggregation migration
18 risk.

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

1 A. Similar to the current solicitation, UES's next default service solicitation will be for
2 one hundred percent (100%) of the small, medium and large customer supply
3 requirements for a six-month period. Delivery of supplies will begin on August 1,
4 2024. UES will be issuing the next solicitation on May 7, 2024 with final bids being
5 due June 4, 2024.

6 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

7 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
8 **requirements.**

9 A. In accordance with the settlement agreement dated July 16, 2009 in Docket No. DE
10 09-009, and as amended on December 6, 2011, UES will conduct two REC RFPs
11 during each compliance year to obtain Existing RECs and/or Forward RECs to meet
12 100% of its projected REC obligations. In addition, UES may make REC purchases
13 outside of the RFP process when it finds it advantageous to do so. To meet its 2023
14 and 2024 RPS compliance requirements, UES will issue an RFP in the fall of 2023 for
15 its remaining 2023 RPS requirements and possibly half of its 2024 RPS requirements.
16 Tab A includes an exhibit summarizing UES's REC purchases for RPS compliance.

17 **Q. Please describe UES's estimates of RPS compliance costs.**

18 A. The current solicitation is for default service power supplies to be delivered beginning
19 February 1, 2024. Schedule JMP-4 lists the percentage of sales and the resulting REC
20 requirement for each class of RECs for RPS compliance along with UES's cost
21 estimates for the period beginning February 1, 2024. UES's cost estimates are based

1 on current market prices as communicated by brokers of renewable products, recent
2 purchases of RECs, and alternative compliance payment rates (“ACP”).

3 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**
4 **2024?**

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

6

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

7

8

9

*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 11.9% for 2024

10 Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS
11 requirements shown here.

12 **VII. CONCLUSION**

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

14 A. Yes.