

**UNITIL ENERGY SYSTEMS, INC.**

**JOINT DIRECT TESTIMONY OF**

**JEFFREY M. PENTZ AND LINDA S. MCNAMARA**

**New Hampshire Public Utilities Commission**

**Docket No. DE 23-054**

**January 22, 2024**

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## LIST OF EXHIBITS

**Exhibit JMP/LSM-1: Testimony**

**Exhibit JMP/LSM-2: Market Tranche Price Estimate**

**Exhibit JMP/LSM-3: Total Power Supply Price Estimate**

1 **I. INTRODUCTION**

2 **Q. Please state your names and business addresses.**

3 A. My name is Jeffrey M. Pentz. My business address is 6 Liberty Lane West, Hampton,  
4 NH 03842. My name is Linda S. McNamara. My business address is also 6 Liberty  
5 Lane West, Hampton, NH 03842.

6 **Q. Mr. Pentz, for whom do you work and in what capacity?**

7 A. I am employed by Unitil Service Corp. (“USC”) as Supervisor, Energy Supply. USC  
8 provides management and administrative services to Unitil Corporation’s affiliates  
9 including Unitil Energy Systems, Inc. (“UES”, “Unitil” or the “Company”).

10 **Q. Please briefly describe your educational and business experience.**

11 A. I received my Bachelor of Arts degree in Economics from the University of  
12 Massachusetts. Before joining USC I worked as a Contracting and Transaction  
13 Analyst with Mint Energy, a retail electric supplier. My range of responsibilities  
14 included contract negotiation with brokers and customers, retail billing, and sales.  
15 Prior to Mint Energy, I worked as a data analyst for Energy Services Group. My  
16 responsibilities included supplier business transaction testing and integration with  
17 regulated utilities. I began working for USC in February 2016 as an Energy Analyst  
18 with the Energy Contracts department. In January 2019 I was promoted to Senior  
19 Energy Analyst and in January 2024 I was promoted to Supervisor, Energy Supply. I  
20 have primary responsibilities in the areas of load settlement, renewable energy credit

1 procurement, renewable portfolio standard compliance, default service procurement,  
2 market research and operations, and monitoring renewable energy policy.

3 **Q. Have you previously testified before the New Hampshire Public Utilities**  
4 **Commission ("Commission")?**

5 A. Yes, I have testified before the Commission in numerous Default Service proceedings.

6 **Q. Ms. McNamara, for whom do you work and in what capacity?**

7 A. I am a Senior Regulatory Analyst for USC.

8 **Q. Please briefly describe your educational and business experience.**

9 A. I joined USC in June 1994 after earning my Bachelor of Science Degree in  
10 Mathematics from the University of New Hampshire. Since that time, I have been  
11 responsible for the preparation of various regulatory filings, including changes to the  
12 default service charges, price analysis, and tariff changes.

13 **Q. Have you previously testified before the Commission?**

14 A. Yes, I have testified before the Commission in numerous Default Service proceedings.

15

16 **II. BACKGROUND**

17 **Q. How does the Company typically solicit default service supply?**

18 A. UES acquires default service power supply for its G1 and Non-G1 customers as  
19 approved by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order")  
20 granting UES's Petition for Approval of Revisions to its Default Service Solicitation

1 Process for G1 and Non-G1 Customers. The acquisitions are completed via the  
2 Request For Proposals (“RFP”) process for 100% of its small customer group (Non-  
3 G1); 100% of its medium customer group (Non-G1); and 100% of its large customer  
4 group (G1) service requirements for a six-month supply period. The Company solicits  
5 fixed monthly pricing for its small and medium customer groups.

6 **Q. Please explain the Commission’s directive included in Order No. 26,910, the**  
7 **Order approving the Company’s most recent default service procurement.**

8 A. The Commission directed the Company to submit a proposal for an ISO-New England  
9 market-based procurement tranche of 10 to 20 percent, through whatever combination  
10 of direct day-ahead and real-time ISO-New England market acquisitions the Company  
11 finds advisable, for the Company’s upcoming August 2024 – January 2025 energy  
12 service period.

13 **Q. Pursuant to this directive, has the Company prepared a proposal?**

14 A. Yes. The Company proposes to use its existing RFP process to procure full  
15 requirements service for 90% of its default service load requirements via fixed price  
16 contracts with wholesale suppliers. The Company proposes to procure the remaining  
17 10% of load requirements via the self-supply process, whereby the Company would  
18 make direct purchases and settlement in the ISO-NE real-time markets.

19

20

1    **III.    DESCRIPTION OF PROPOSED PROCUREMENT PLAN**

2    **Q.    Please describe the Company’s proposed procurement plan.**

3    A.    Market based purchases to self-supply means the Company would own 10% of the  
4           small and medium customer group default service load assets. The Company would  
5           make all purchases for energy in the real-time markets. Additional charges that are  
6           assessed to “Load Serving Entities” include Forward Capacity, Ancillary Services, and  
7           other charges such as the Inventoried Energy Program. The Company would be  
8           responsible for payment of these services, along with the energy component twice per  
9           week on the ISO-NE invoices.

10   **Q.    What are the potential risks to rate-payers under the proposal?**

11   A.    Market based procurements expose UES customers to the real-time market. The real-  
12          time market in the ISO-NE marketplace can be volatile, especially during the winter.  
13          The Company is not planning to make any additional energy purchases such as  
14          forward hedges in the market to mitigate possible volatility but instead will be a price  
15          taker wherever the ISO-NE market settles.

16   **IV.    DESCRIPTION OF PROPOSED DEFAULT SERVICE PRICING**

17   **Q.    How would Unitil propose to set the wholesale energy component of the retail**  
18          **rate for its customers?**

19   A.    The Company proposes that UES customers continue to have a fixed retail rate for the  
20          entire six-month service period. Regardless of what happens in the ISO-NE real-time  
21          market, the Company intends to set retail rates at a fixed level during the service

1 period in the manner that customers have seen over the course of many years. The  
2 wholesale supply portion of the fixed price retail rate would be represented by the  
3 weighted average of the actual monthly contract prices over the future six-month  
4 period plus an estimate of the costs of any supply not procured through full  
5 requirements service contracts. The weighted average would be calculated based on  
6 90% fixed pricing and the 10% estimate of the market-based tranche for the six-month  
7 service period, as illustrated in Exhibit JMP/LSM-3.

8 **Q. How would the Company estimate the wholesale rate for the market-based**  
9 **tranche?**

10 A. Since the Company is proposing to maintain a fixed retail rate for its Small and  
11 Medium customer groups, estimating a wholesale rate over the service period for any  
12 direct market purchases is necessary. Exhibit JMP/LSM-2 illustrates the estimation  
13 calculations. The energy component of the wholesale rate would be estimated by using  
14 the appropriate combination of off-peak and on-peak ISO-NE Hub NYMEX futures  
15 pricing. The Company has used historical data from 2022 to determine the allocation  
16 of loads to on-peak and off-peak consumption. Capacity prices are estimated using  
17 projected peak contribution tags along with charge rate estimates as published by the  
18 ISO-NE Forward Capacity Market Cost Allocation forecast. The Company would use  
19 twelve-month historical data from the ISO-NE Wholesale Load Cost Report (“WLC”)  
20 to estimate all other cost components such as Ancillary Market, Net Period  
21 Commitment Compensation charges, and the Inventoried Energy Program. The  
22 Company is comfortable using historical data from the WLC report as these costs are

1 de minimus when compared to energy and capacity costs. Additionally, the cost data  
2 in the WLC reports is used as a metric in comparing market costs to contract costs as  
3 represented in the monthly filings in DE 23-054.

4 **Q. What are the advantages and disadvantages to the Company's proposal?**

5 A. Setting retail rates as described above will create fixed prices allowing mass market  
6 customers to continue budgeting their energy costs each month. These fixed prices  
7 would also provide an appropriate price against which retail suppliers (and their  
8 customers) can compare. A drawback of the proposal, is the possibility that market  
9 prices could increase or decrease when compared to the estimated price. This would  
10 result in a net charge or credit for default service customers during the reconciliation  
11 process. Additionally, to the extent that Unitil may serve load directly, there will be an  
12 impact to the Company's working capital requirements because the billing lag would  
13 drop from approximately 45 days, to around 5 days. This will create upward pressure  
14 on the Company's working capital needs. If the Company's procurement proposal is  
15 approved, the Company will update its lead/lag calculation in its next Default Service  
16 filing to reflect this change in working capital requirements.

17 **Q. How will the Company reconcile actual market costs with estimated market**  
18 **costs?**

19 A. The final cost of purchasing directly from the market will be unknown until several  
20 months after the conclusion of the service period. This lag is due to hourly market  
21 pricing, market settlement lag, and the resettlement process of load volumes. The

1 difference between actual market costs resulting from direct market purchases and  
2 estimated market costs will become part of the Company's default service over/under  
3 collection. As such, any variation in these costs will be treated through the normal  
4 annual reconciliation process whereby the default service balance as of April 30 each  
5 year is allocated to the two next six-month rate periods and to each rate class  
6 (residential and regular general service). The Company does not expect  
7 reconciliations to have a significant impact on future period default service rates since  
8 direct purchases will represent only 10% of the cost of serving load.

9 **Q. Does the Company recommend any special notification to the customers affected**  
10 **by self-supply?**

11 A. Since the Company's proposal would be seamless to customers, the Company does  
12 not envision the need for special notifications. The result of the traditional RFP  
13 process is that customers would receive an all-in fixed period price, and the Company  
14 proposes the same with a partial market-based proposal using estimated pricing.  
15 Customers will be charged a rate based on partial estimation of pricing for load served  
16 in the NH ISO-NE Load Zone. Although market-based procurements result in hourly  
17 variability in energy costs, this will not be flowed through to the customer during the  
18 rate period. As indicated above, however, the reconciliation will occur in future rates  
19 but are not expected to have a significant impact.

20 **Q. How will the proposed change impact the Company's next scheduled default**  
21 **service solicitation?**

1 A. The Company's next solicitation is scheduled for release on May 7, 2024 with final  
2 bids due on June 4, 2024. Given the structural changes involved, the Company will  
3 require time to implement this proposal. Therefore, the Company requests the  
4 Commission issue a decision regarding this proposal no later than April 8, 2024

5 **Q. Would there be tariff changes required if the Commission approves the proposal**  
6 **discussed herein?**

7 A. The Company envisions minor tariff changes to Schedule DS to include the costs of  
8 self-supply as part of Default Service costs. These changes can be provided in this  
9 proceeding as requested, in a compliance filing, or as part of the Company's next  
10 Default Service filing.

11 **VII. CONCLUSION**

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

13 A. Yes.