

THE STATE OF NEW HAMPSHIRE  
BEFORE THE  
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

**Unitil Energy Systems, Inc. d/b/a Unitil**

**Proposal for Expanded ISO-NE Market Based Procurement  
Docket No. DE 24-065**

**Technical Statement of  
Jeffrey M. Pentz and Linda S. McNamara**

**July 25, 2024**

## **I. PURPOSE OF PROPOSAL**

On June 7, 2024, Unitil Energy Systems (UES, or the Company) submitted its 2024 Default Service Solicitation filing for the small, medium, and large customer groups requesting new default service rates to be approved and effective on August 1, 2024, through January 31, 2025. Per Commission Order No. 27,020 (June 14, 2024), the Commission approved the proposed default service rates, and directed the Company to file a proposal for “an ISO-New England market-based procurement tranche of at least 30%, with no upper bound, for the Company’s small and medium customer group for the upcoming February 2025 – July 2025 default service period for its small and medium customer group.”

The Commission has also ordered the Company to modify the “proxy price” for these market-based procurements wherein the price would be an average of (a) the four-year rolling weighted average of ISO-New England market prices in the New Hampshire Load zone, and (b) the NYMEX futures price for the upcoming six-month default service period for ISO-New England.

Lastly, The Commission has asked the Company for a discussion of the feasibility of expanding an ISO New England market-based procurement to the large (G1) customer group.

## **II. PROPOSED PROCUREMENT PLAN**

The Company proposes to use the same methodology as approved in Order No. 26,793 (March 15, 2024) and increase direct market purchases to 30% of estimated load requirements. The Company proposes to increase the market-based tranche to 30% in order to comply with the Commission’s Order. The Company believes that the 30% procurement target complies with the Commission’s directives, while maintaining the least amount of direct-market exposure in this still relatively new to the Company method of procuring basic service in New Hampshire. The Company proposes to make all purchases for energy in the real-time markets. Additional charges that are assessed to “Load Serving Entities” include Forward Capacity, Ancillary Services, and other charges such as the Inventoried Energy Program. The Company would be responsible for payment of these services, along with the energy component twice per week on the ISO-NE invoices.

### **III. CUSTOMER RETAIL RATE**

The Company proposes to use the same methodology as approved in Order No. 26,793 (March 15, 2024), with the exception that the estimated self-supply tranche rate be an average of NYMEX futures and a four-year rolling average of ISO market prices, as ordered by the Commission. The wholesale supply portion of the fixed price retail rate would be represented by the weighted average of the actual monthly contract prices over the future six-month period plus an estimate of the costs of any supply not procured through full requirements service contracts. The weighted average would be calculated based on 70% fixed pricing and the 30% estimate of the market-based tranche for the six-month service period.

### **IV. RECONCILIATION**

The Company plans on using the same methodology as approved in Order No. 26,793 (March 15, 2024). As such, any variation between actual market costs and estimated market costs will become part of the Company's default service over/under collection. These costs will be treated through the normal annual reconciliation process whereby the default service balance as of April 30 each year, as adjusted, is allocated to the two next six-month rate periods and to each rate class (residential and regular general service).

### **V. LARGE CUSTOMER GROUP PROCUREMENT**

In 2012, Unitil requested to change its large customer solicitations from a fixed price model to a variable price approach, whereby the energy component would be a pass-thru based on the NH Load Zone Locational Marginal Price ("LMP") and also include a fixed monthly adder to cover non-energy components. The Company presented this approach as a way to discourage customers from strategically switching between competitive supply and fixed-rate default service, while also reducing risk premiums associated with potential large shifts in load attributable to large customers. The Commission approved these changes which are currently in practice in DE 12-003. The Company is unique among the other utilities in NH in this large customer procurement model.

Unitil establishes the default service rate on a monthly basis using load and real-time pricing data from the preceding month (i.e., one-month lag) to create a weighted average rate. Subsequent month prices true-up the differences between the derived cost (i.e., set during the month ahead) and actual costs to serve load (i.e., incurred settlement). While this strategy of procurement doesn't ensure a fixed period rate it is consistent with Restructuring Policy Principles outlined in RSA 374-F:3. The Company notes that the Department of Energy made a similar observation in their Final Report on Default Service within their Investigative Proceeding Relative to Default Energy Procurement in DOE INV 2023-001. In their report the Department stated that the outcome created by the above described approach is "consistent with RSA 374-F:3 and the historical default service objective that large customers only take default service as a transition arrangement."

The Company, for the reasons mentioned above, does not propose a change to expand self-supply to the large customer group as these customers currently receive market based, variable prices for the energy component.

## VI. NECESSARY COURSE OF ACTION

Unitil's next RFP is scheduled for November 5, 2024 with final bids due on December 3, 2024. While the Company doesn't expect significant structural changes from the existing 10% self-supply model, the Company would request a Commission decision regarding this proposal by no later than October 5, 2024.

## VII. PROPOSED PROCUREMENT TABLES

Table 1 - ISO Market Tranche Price Estimate (30% Load Requirements) - Small Customer Group								
	NH Wholesale Load Cost Components	Unit	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
A	Projected Default Service Volume	MWh	9,000	8,100	7,500	8,100	9,000	9,600
B	Total ISO Market Tranche Estimate (C+D)/2	\$ / MWh	\$ 95.00	\$ 80.00	\$ 42.50	\$ 35.00	\$ 52.50	\$ 57.50
C	NYMEX Energy Futures Prices	\$ / MWh	\$ 110.00	\$ 90.00	\$ 50.00	\$ 40.00	\$ 70.00	\$ 70.00
D	Four-Year Moving Weighted Avg ISO-NE Prices	\$ / MWh	\$ 80.00	\$ 70.00	\$ 35.00	\$ 30.00	\$ 35.00	\$ 45.00
<b>I Period Weighted Average Price</b>		<b>\$ 61.01</b>						

Table 1 - Total Power Supply Price Estimate - Small Customer Group								
		Unit	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
A	Evaluation Loads - 30% Tranche	MWh	9,000	8,100	7,500	8,100	9,000	9,600
B	Evaluation Loads - 70% Tranche	MWh	21,000	18,900	17,500	18,900	21,000	22,400
C	Evaluation Loads - Total	MWh	30,000	27,000	25,000	27,000	30,000	32,000
D	Total ISO Market Tranche Estimate (30%)	\$ / MWh	\$ 95.00	\$ 80.00	\$ 42.50	\$ 35.00	\$ 52.50	\$ 57.50
E	Fixed Price Contract (70%)	\$ / MWh	\$ 120.00	\$ 115.00	\$ 70.00	\$ 65.00	\$ 60.00	\$ 75.00
F	Total Wholesale Power Supply Rate Estimate	\$ / MWh	\$ 112.50	\$ 104.50	\$ 61.75	\$ 56.00	\$ 57.75	\$ 69.75
<b>G Period Weighted Average Price</b>		<b>\$ 77.29</b>						