

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

JEFFREY M. PENTZ

New Hampshire Public Utilities Commission

Docket No. DE 24-065

December 6, 2024

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF TESTIMONY.....	2
III.	SOLICITATION PROCESS	4
IV.	RENEWABLE PORTFOLIO STANDARD COMPLIANCE	10
VII.	CONCLUSION.....	11

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: Market Tranche Price Estimate**
- Schedule JMP-6: Total Power Supply Price Estimate**
- Schedule JMP-7: Self Supply Actual vs Estimates**

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 Supervisor of Energy Supply. 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 which is a retail electric supplier. My range of
13 responsibilities included contract negotiation with brokers and customers, retail
14 billing, and sales. Prior to Mint Energy, I worked as a data analyst for Energy Services
15 Group. My responsibilities included supplier business transaction testing and
16 integration with regulated utilities. I joined USC in February 2016 as an Energy
17 Analyst with the Energy Contracts department. In January 2019 I was promoted to
18 Senior Energy Analyst and in January 2024, promoted to Supervisor, Energy Supply. I
19 have primary responsibilities in the areas of load settlement, renewable energy credit
20 procurement, renewable portfolio standard compliance, default service procurement,
21 market research and operations, and 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. Subsequently, in Commission Order No. 26,973 issued on
12 March 15, 2024, the Commission approved a modification to the solicitation process
13 whereby the Company will include a self-supply market-based tranche of 10% for
14 Non-G1 customers. Subsequently, in Commission Order No. 27,059 issued on
15 October 7, 2024, the Commission approved a modification to the solicitation process
16 whereby the Company will include a self-supply market-based tranche of 30% for
17 Non-G1 customers. With the current Request for Proposal ("RFP"), UES has
18 contracted for a six-month default service power supply for 70% of its small customer
19 group (Non-G1); 70% of its medium customer group (Non-G1); and 100% of its large
20 customer group (G1) service requirements. The remaining 30% of power supply will
21 be purchased directly in the ISO hourly markets. Service begins on February 1, 2025.

1 **Q. Please describe the documents provided with this filing.**

2 Supporting documentation and additional detail of the solicitation process and
3 historical pricing data by customer group is provided in the Bid Evaluation Report
4 (“Report”), attached as Schedule JMP-1. The structure, timing and requirements
5 associated with the solicitation are fully described in the RFP issued on November 5,
6 2024 and is attached as Schedule JMP-2. An updated Customer Migration Report is
7 attached as Schedule JMP-3. The Customer Migration Report shows monthly retail
8 sales and customer counts supplied by competitive generation, total retail sales and
9 customer counts (the sum of default service and competitive generation) and the
10 percentage of sales and customers supplied by competitive generation. The report
11 provides a rolling 13-month history which covers the period from October 2023
12 through October 2024. Renewable Portfolio Standard ("RPS") Compliance Cost
13 Estimates are included as Schedule JMP-4. My testimony reviews UES’s approach to
14 compliance with the RPS which went into effect in January 2008. Schedule JMP-4
15 details projected obligations and price assumptions for the coming rate period. The
16 price assumptions are based on recent market data information and alternative
17 compliance payment prices. Schedule JMP-5 details the pricing estimate for the 30%
18 market tranche. Schedule JMP-6 provides the final wholesale power supply price by
19 calculating the weighted average price of both the estimated market tranche (30%) and
20 fixed price tranche (70%). Lastly, Schedule JMP-7 provides a historical breakdown of
21 actual versus estimated self-supply costs.

1 **Q. Please summarize the approvals UES is requesting from the Commission.**

2 A. UES requests that the Commission:

- 3 • Find that: UES has followed the solicitation and self-supply process approved by
4 the Commission; UES's analysis of the bids submitted was reasonable; and UES
5 has supplied a reasonable rationale for its choice of the winning suppliers.
- 6 • Find that: the price estimates of renewable energy certificates ("RECs") proposed
7 by UES, which are based on actual purchases or current market prices and
8 information, are appropriate for inclusion in retail rates.
- 9 • On the basis of these findings, conclude that the power supply costs resulting from
10 the solicitation are reasonable and that the amounts payable to the sellers under the
11 supply agreements are approved for inclusion in retail rates.
- 12 • Issue an order granting the approvals requested herein on or before December 13,
13 2024, which is five (5) business days after the date of this filing.

14 **III. SOLICITATION PROCESS**

15 **Q. Please discuss the Solicitation Process UES employed to secure the supply**
16 **agreements for default service power supplies.**

17 A. UES conducted an open solicitation in which it actively sought interest among
18 potential suppliers to provide load-following power supply to its Default Service
19 customers. UES provided bidders with appropriate information to enable them to
20 assess the risks and obligations associated with providing supply services. UES did

1 not discriminate in favor of or against any individual potential supplier who expressed
2 interest in the solicitation. UES negotiated with all potential suppliers who submitted
3 proposals to obtain the most favorable terms from each potential supplier. The
4 structure, timing and requirements associated with the solicitation are fully described
5 in the RFP issued on November 5, 2024. This is attached as Schedule JMP-2 and is
6 summarized in the Bid Evaluation Report attached as Schedule JMP-1.

7 **Q. Were there any changes made to the Solicitation Process?**

8 **A.** Yes, On July 25, 2024 the Company made a proposal pursuant to the requirements of
9 Order No. 27,020, whereby the Commission ordered UES to submit a proposal to self-
10 supply a portion of Default Service through direct market purchases from ISO-NE.
11 The proposal changes the existing procurement process by including a 30% ISO-NE
12 market-based tranche for UES's Non-G1 default service customer groups, while
13 continuing with a reduced 70% tranche of fixed price load following power supply to
14 be solicited from wholesale suppliers. UES's proposal was approved by the
15 commission on October 7, 2024 in Order no. 27,059.

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

17 **A.** UES announced the electronic availability of the RFP to a list of power suppliers and
18 brokers. The RFP was also distributed to all members of the NEPOOL Markets
19 Committee. As a result, the RFP had wide distribution throughout the New England
20 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 supplier wholesale pricing submitted for the Small and Medium
5 classes (Non-G1) for the upcoming six-month period of February 1, 2025 through July
6 31, 2025 is 7.8% lower than the current period of August 1, 2024 to January 31, 2025.
7 Recent stability in the ISO-NE electricity forward pricing markets as well as Henry
8 Hub natural gas markets has resulted in a fairly stable comparison of bid results when
9 comparing to the prior period. Considering current market conditions, the Company
10 determined that the pricing submitted was market based and competitive.

11 **Q. What impact, if any, did active or pending community aggregations have on the**
12 **solicitation results?**

13 A. There are currently fourteen cities and towns in UES' service territory with active
14 community aggregations. The City of Concord which represents 27% of all customer
15 accounts, recently was implemented and is now active as of October 2024. Although
16 there are a few towns with approved aggregations that have not yet become active, the
17 load volumes for these towns are not significant compared to forecasted default
18 service volumes for the procurement period. Upon review and analyses of the winning
19 bid prices compared to energy futures from current and prior solicitations, the
20 Company didn't see any notable increase in bidder risk premiums caused by municipal
21 aggregations.

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

2 A. UES selected Constellation Energy Generation, LLC. (“Constellation”) as the winner
3 of the small customer (Non-G1) supply requirement, Hydro Quebec US (“HQUS”) as
4 the winning bidder of the medium customer (Non-G1) supply requirement, and
5 Nextera Energy Marketing, LLC (Nextera) as the winning bidder of the large customer
6 (G1) supply requirement All three transactions are for a period of six months. UES
7 believes that Nextera, Constellation, and HQUS offer the best overall value in terms of
8 both price and non-price considerations for the supply requirements sought.

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

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

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

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

2 A. UES reached out to a number of suppliers early in the process to solicit and gauge
3 supplier interest. Bidder response for this solicitation was similar when compared to
4 the prior solicitation, with one less bidder for the Large Customer Group, and one
5 additional bidder for the Small Customer Group. A couple suppliers that have
6 participated in the past elected not to do so this time stating concerns primarily about
7 municipal aggregation migration risk.

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

10 A. Similar to the current solicitation, UES's next default service solicitation will be for
11 seventy percent (70%) of the small and medium customer groups for a six-month
12 period. Delivery of supplies will begin on August 1, 2025. UES will be issuing the
13 next solicitation on May 5, 2025 with final bids being due June 3, 2025.

14 **Q. Does the Company anticipate any changes to UES's next default service**
15 **solicitation?**

16 A. Yes. The Company intends to file a proposal by January 31, 2025 to change the
17 procurement method of Unitil's large customer group. The Company will propose to
18 fully procure 100% of load requirements via direct market-based procurements ("self-
19 supply") in the ISO-NE Real Time Energy Market.

20 **Q. Please explain the reasoning for why the Company is interested in changing**
21 **procurement methods for the large customer group.**

1 **A.** There are two primary reasons. First, low load volumes and customer counts in the
2 large default customer group has caused concern regarding future bidder participation
3 levels. Schedule JMP-3 illustrates as of October 2024 that 95% of large customer load
4 volumes are on competitive supply, leaving small amounts of load for bidders to
5 participate. Second, the Company has seen a wide spread in fixed adder bid prices for
6 this customer group in recent solicitations with less clustering. Given these reasons,
7 the Company feels the time is right to fully self-supply this customer group.

8 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

9 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
10 **requirements.**

11 **A.** In accordance with the settlement agreement dated July 16, 2009 in Docket No. DE
12 09-009, and as amended on December 6, 2011, UES will conduct two REC RFPs
13 during each compliance year to obtain Existing RECs and/or Forward RECs to meet
14 100% of its projected REC obligations. In addition, UES may make REC purchases
15 outside of the RFP process when it finds it advantageous to do so. To meet its 2024
16 RPS compliance requirements, UES may issue an RFP in the fall of 2024 for its
17 remaining 2024 RPS requirements and possibly half of its 2025 RPS requirements.
18 Tab A includes an exhibit summarizing UES's REC purchases for RPS compliance.

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

20 **A.** The current solicitation is for default service power supplies to be delivered beginning
21 February 1, 2025. Schedule JMP-4 lists the percentage of sales and the resulting REC

1 requirement for each class of RECs for RPS compliance along with UES’s cost
2 estimates for the period beginning February 1, 2025. UES’s cost estimates are based
3 on current market prices as communicated by brokers of renewable products, recent
4 purchases of RECs, and alternative compliance payment rates (“ACP”).

5 **Q. Does UES’s estimate of RPS costs incorporate the latest RPS requirements for**
6 **2025?**

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

8

9 **NH Renewable Portfolio Standards: 2025**

Calendar Year	Class I *	Class I Thermal	Class II	Class III	Class IV
2025	15.00%	2.2%	0.7%	8.00%	1.5%

10

11 *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 12.8% for 2025

12 Schedule JMP-4 RPS Compliance Costs Estimates incorporates the latest RPS
13 requirements shown here.

14

15 **VII. CONCLUSION**

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

17 A. Yes.