

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 24-065**

**UNITIL ENERGY SYSTEMS, INC.**

**2024 Default Service Solicitations**

**Order Approving Solicitations; Establishing Deferral Accounts for  
Reconciliation-Related Balances;  
Requiring Re-Filing of Default Service Rates by December 20, 2024; and  
Requiring Filing of Company Proposal for Expanded Market-Based Procurements  
by January 31, 2025**

**ORDER NO. 27,086**

**December 12, 2024**

This order authorizes Unitil Energy Systems, Inc. (UES or the Company) to recover the costs of power supply through default energy service rates<sup>1</sup> for effect for the six-month period of February 1, 2025, through July 31, 2025. This order requires UES to prepare a final recalculation, and updated Tariff pages, for its energy service rates effective February 1 by December 20, 2024, to incorporate a Commission ruling, presented in this Order, regarding prior-period under-collections for the Company's Small, Medium, and Large Customer groups. This order approves the Company's energy service solicitations, resulting contracts, Lead-Lag Study elements, and administrative cost calculations; once UES makes its updated December 20 filing, the Commission expects to issue an Order *Nisi* in December approving the energy service rates, associated Renewable Energy Credit (REC) calculations and price estimates, Time-Of-Use (TOU) rate adjustments, and other ancillary adjustments, well in advance

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<sup>1</sup> Bills for customers on default service are composed of three parts: power supply, transmission, and distribution. The energy service rates for default service customers refer to the power supply component only.

of their February 1 effective date. Bill-impact information will be provided by the Commission within that Order.

For illustrative purposes, the final energy service rate for UES's Small Customer Group, which includes residential customers taking energy service from UES, is expected to be somewhat less than 8.616 cents per kilowatt-hour, which represents a decrease in in energy supply costs of approximately 18 percent for these customers.

The Commission also approves UES's market-based ISO-New England procurement tranche of 30 percent of Small and Medium customer group load, and associated Tariff features, *see* Hearing Exhibit 8, as initially approved by the Commission in Order No. 27,059 (October 7, 2024), in this instant docket. In response to an indication by the Company that it wishes to embark upon a 100 percent ISO-New England market-based procurement approach for its Large (Rate G1) customer group for the next energy service procurement period, with a proposal to be made by the Commission by January 31, 2025, this order requires UES to make that filing, and also requires UES to prepare a filing to the Commission, also to be submitted by January 31, delineating how it will accommodate an expanded ISO-New England market-based procurement component for its upcoming August 2025-January 2026 energy service period for its Small and Medium customer groups, as noted later.

The Commission does not administratively set the prices offered by wholesale electricity suppliers operating in the regional ISO-New England market to UES for serving UES's energy service load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where UES endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding and approves the resultant rates under the governing statutory standards.

## **I. BACKGROUND AND POSITIONS**

On December 6, 2024, UES filed a petition requesting approval of its solicitation and procurement of energy service for: (1) residential (Rate D) customers, or, “small customers”; (2) small commercial (Rate G2) and outdoor lighting (Rate OL) customers, or, collectively, “medium customers”; and (3) large commercial and industrial (Rate G1) customers, or, “large customers.” The solicitation process is designed to procure 70 percent of the power supply requirement for the Small and Medium Customer groups, and 100 percent of the power supply requirement for the Large Customer Group, for the six-month period beginning February 1, 2025 through July 31, 2025. UES selected Constellation Energy Generation, LLC (CEG) as the winning bidder for the residential (70 percent of load) contract, *i.e.*, the Small Customer Group; Hydro Quebec US (HQUS) as the winning bidder of the small commercial/outdoor lighting (70 percent of load) contract, *i.e.*, the Medium Customer Group; and NextEra Energy Marketing, LLC (NextEra) for the G1 large commercial and industrial customer group (Large Customer Group, 100 percent of load).

UES filed its petition pursuant to the terms of a settlement agreement approved in Order No. 24,511 (September 9, 2005), as modified by subsequent orders, the most recent being Order No. 27,059. With its petition, *see* Hearing Exhibit 8, UES filed the testimony of Jeffrey M. Pentz, Supervisor of Energy Supply, and Linda S. McNamara, Senior Regulatory Analyst, both of whom are personnel with Unitil Service Corp., UES’s service-company affiliate.

Certain schedules included in the Company’s filings contain information that UES claims is confidential pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07. Hearing Exhibit 7. This material includes the Company’s bid evaluation and summary information, renewable REC pricing, and other confidential

pricing terms. For this solicitation, the Commission issued, at the Company's request, a procedural order on November 7, 2024, scheduling a hearing for December 10, 2024. The OCA had filed its letter of participation on April 23, 2024, in an earlier phase of this proceeding. The hearing was held on December 10, 2024 as scheduled, where the Company, the OCA, and the DOE appeared; Mr. Pentz and Ms. McNamara provided additional oral testimony in support of the Company's petition. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

The petition and subsequent docket 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/2024/24-065.html>

On November 5, 2024, as described in the testimony of Mr. Pentz, UES issued requests for proposals (RFPs) for energy service for its Small, Medium, and Large customer groups for the period February 1, 2025, through July 31, 2025. On November 19, 2024, UES received indicative proposals that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. UES received final bids on December 3, 2024. UES said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to UES to facilitate the transactions, capability of meeting the terms of the Power Supply Agreement (PSA) in a reliable manner, and willingness to enter into contractual terms acceptable to the Company. After completing the bid evaluations, the Company notified the winning bidders.

UES selected CEG as the winning bidder for the small customer (Non-G1) supply requirement (70% share); HQUS for the medium customer (Non-G1) supply requirement, (70% share); and NextEra as the winning bidder for the large customer

(G1) supply requirement (100% share). All three transactions are for a period of six months, commencing on February 1, 2025, and ending on July 31, 2025. With respect to the supply requirements, UES believes that CEG, HQUS, and NextEra each offered the best overall value in terms of price and non-price considerations for their respective supply requirement shares, with some reservations regarding the Large Customer Group, discussed below. Schedule JMP-1 of UES's filing contains a more detailed description of the bid evaluation process. See Hearing Exhibit 8, Schedule JMP-1. The Company also attached to Mr. Pentz's testimony the standard PSA and redlined versions of the final PSA's with the winning bidders. (The mechanics of the 30 percent ISO-New England market-based procurement tranches are discussed at length in Order No. 27,059, and in the Company's testimony, *passim*).

With regard to the NextEra contract for serving the Large Customer Group load, Mr. Pentz, in his pre-filed Testimony and at the December 10 hearing, expressed the Company's concerns and proposed solutions regarding the pricing outcomes for that contract. (For this class of customers, energy service rates vary by month). In his pre-filed testimony on behalf of the Company, Mr. Pentz stated, "[t]he Company intends to file a proposal by January 31, 2025 to change the procurement method of [the Company's] large customer group. The Company will propose to fully procure 100% of load requirements via direct market-based procurements ('self-supply') in the ISO-NE Real Time Energy Market." Mr. Pentz elaborated, "There are two primary reasons [for this upcoming proposal]. First, low load volumes and customer counts in the large default customer group has caused concern regarding future bidder participation levels. Schedule JMP-3 illustrates as of October 2024 that 95% of large customer load volumes are on competitive supply, leaving small amounts of load for bidders to participate. Second, the Company has seen a wide spread in fixed adder bid prices for

this customer group in recent solicitations with less clustering. Given these reasons, the Company feels the time is right to fully self-supply this customer group.” Hearing Exhibit 8, Pentz Testimony, Bates Pages 12-13.

UES also presented, in Ms. McNamara’s pre-filed testimony and supporting schedules, its annual update to internal Company administrative costs associated with providing default energy service. See McNamara Testimony, Hearing Exhibit 8, Bates Page 194; Schedule LSM-6, Hearing Exhibit 8, Bates Pages 214-215. The Company presented, and sought Commission approval for energy service rate recovery, of \$88,505 in internal administrative costs, of which \$34,563 was attributable to the Small and Medium customer groups, and \$53,943 was attributable to the Large (G1) Customer Group. *Id.* UES also presented certain technical modifications in conjunction with its 2023 Lead Lag Study (working capital calculations) presented by Ms. McNamara, Hearing Exhibit 8, Bates Pages 207 and 211; see also McNamara Testimony, Hearing Exhibit 8, Bates Pages 197-198, for review and approval.

As noted, Mr. Pentz and Ms. McNamara of the Company provided oral testimony at the December 10, 2024 hearing to elaborate on the matters discussed in UES’s pre-filed testimony. On Commission inquiry, Ms. McNamara confirmed that the Company would have the capability to develop, for future energy service filings, a simplified table to better explain the development of the final (headline) default energy service rates presented by the Company in its proposed Tariff pages from the blended monthly energy prices provided in the Company’s supporting schedules. Mr. Pentz also noted that the Company’s Fitchburg, Massachusetts electric utility affiliate, for the present default service period, was engaged in 100 percent self-supply (ISO-New England market-based procurement) for all classes of customers, due to a failed

requirements-contract RFP process, associated with most communities in the Fitchburg service territory having migrated to Community Aggregation.

The Commission also inquired regarding the impacts of prior-period reconciliation balances (under-collections) for the Small, Medium, and Large customer groups, presented in the Company's energy service accounting schedules. See Hearing Exhibit 9. For the Small and Medium customer groups (non-G1 rate classes), the Power Supply Charge reconciliation balance for collection during the upcoming energy service period is \$320,715 (\$226,040 for the Small Customer Group and \$94,675 for the Medium Customer Group); for the Large (G1) Customer Group, the reconciliation balance is \$362,824. Hearing Exhibit 9, Bates Pages 1-2, Line 1. The Commission noted the significant impact of the reconciliation balance on the Large Customer Group rates; Mr. Pentz explained that only approximately 20 or 21 Large Customer Group customers remained on default energy service at the December 10 hearing. The Commission further inquired of the Company as to whether, similar to proposals being presented by Eversource in the DE 24-112 proceeding, it saw scope for the collection (or, for over-collections, refund) of these balances from/to all UES distribution customers, to ameliorate the rate impacts on default service customers, and to recognize the "backstop" role of default service being available to all UES customers as a mandatory "supplier of last resort." See RSA 374-F:3, V(c)-(e). In association with this, the Commission explored the creation of deferral accounts to hold these balances pending potential modifications of the collection methodology. The Company declined to definitively opine on this question at the December 10 hearing, but committed to file a letter of position regarding this issue with the Commission by December 20, 2024.

Mr. Pentz also informed the Commission regarding ongoing movement toward Community Aggregation in UES's service territory (with Plaistow and Concord being

prominent examples), stating that approximately 75 percent of UES service-territory customers are expected to have migrated from default service by mid-2025.

In its closing statement, UES requested that the Commission approve its energy service proposals submitted in this instant petition as just and reasonable.

The DOE, in a statement made at hearing, stated that the Commission should approve the Company's energy service proposals as presented, and expressed skepticism regarding the potential creation of deferral accounts for the reconciliation balances.

The OCA stated at hearing that it supported Commission approval of the Company's default service rates as just and reasonable, and echoed the DOE's viewpoints on the matters related to the creation of deferral accounts for the outstanding reconciliation balances.

## **II. COMMISSION ANALYSIS**

We find that UES's solicitation and bid evaluation process conform with Order No. 24,511, as modified, (most particularly by Order No. 27,059 in relation to the market-based component) for the procurement of power supply for customers taking energy service from UES. *See also* RSA 374-F:3, V(c).

We find UES's selection of CEG, HQUS, and NextEra to provide power supply for the three (Small, Medium, and Large) customer groups for the six-month period beginning on February 1, 2025, is appropriate and satisfies the requirement that default energy service be procured through a competitive process that produces rates that are market based. *See* RSA 374-F:3, V(c). We also accept the Company's 2023 Default Service and Renewable Energy Credits Lead Lag Study used in the calculation of the working capital requirements for this default energy service filing, subject to the proviso that they are subject to reconciliation on any further review by DOE, the



Commission, and the Company itself. We also approve of the Company's annual calculation, and presentation for energy service rate recovery, of its internal administrative costs associated with the provision of energy service.

The Commission again notes that though we have not had regulatory authority over power generation since New Hampshire's utilities divested their interests in generation/power supply assets, the Commission has the ability to oversee the procurement process, to ensure robust competition and therefore help lowering default service prices. With Community Aggregation accelerating, the decline in energy service sales for the Large Customer Group, resulting under-collections, and the wide ongoing pricing differential between requirements contract prices and ISO-New England prevailing market prices, as evidenced by UES's ongoing monthly reporting, the Commission believes it is appropriate to expand the market-based procurement program for the Company, which would include an invitation of the Company's stated intention to expand ISO-New England market-based procurements to serve 100 percent of the Large Customer Group load.

Therefore, the Company shall file, no later than January 31, 2025, a proposal for the Company's upcoming August 2025-January 2026 energy service period that would include the following components: (1) an ISO-New England market-based procurement tranche of at least 50 percent, for the Small and Medium customer groups, along the lines approved in Order No. 27,059 and this instant Order, and with an explanation of the Company's choice of the given tranche size provided by the Company; (2) a full (100 percent) ISO-New England market-based procurement approach for the Large Customer Group, with a continuation of the monthly pricing approach, and the application of the proxy-price development methodology established by Order No. 27,059 for the Small and Medium customer groups on a discrete

monthly basis; and (3) discussion by the Company of the additional resources that would be necessary for the application of a full Day-Ahead (versus solely Real-Time) self-supply purchase component going forward by the Company. This proposal would be assessed by the Commission in a future phase of this proceeding upon submission by the Company.

Furthermore, with regards to the Small\Medium customer groups' (non-G1) Power Supply Charge reconciliation balance of \$320,715 (\$226,040 for the Small Customer Group and \$94,675 for the Medium Customer Group), and the Large Customer Group (G1) Power Supply charge reconciliation balance of \$362,824, the Commission hereby ORDERS that: (1) these balances be placed by the Company into deferral accounts, with the Tariff-specified carrying charges to be assessed; (2) **that the Company provide a recalculation of its energy service Tariff rate elements, including TOU rates and expected energy service bill impacts based upon this deferral, to be filed no later than December 20, 2024;** (3) that the Company provide its position statement, no later than December 20, 2024, as indicated at the December 10 hearing, regarding the potential integration of energy service reconciliation charges and any other charges, for example, uncollected accounts and internal company administrative costs, into collection/refund through a UES distribution rate charge, such as those established by the Stranded Cost Recovery and External Delivery Charge, through a noticed adjudication. The Commission finds that as a matter of equity, both the Small\Medium customer group reconciliation balance, and the Large Customer Group reconciliation balance, be placed into deferral accounts at this time, and potentially qualify for collection through distribution rates, if found appropriate after the future adjudication.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the power supply agreements entered into by UES with Constellation Energy Generation, LLC for 70 percent of power supply requirements for Small customers; Hydro Quebec US for 70 percent of power supply requirements for Medium customers; and NextEra Energy Marketing, LLC for 100 percent of power supply requirements for Large G1 customers, all for the six-month period beginning February 1, 2025, are hereby APPROVED; and it is

**FURTHER ORDERED**, that UES remains authorized to use the results of the updated 2023 lead/lag study in the calculation of rates, subject to any reconciliation; and it is

**FURTHER ORDERED**, that UES is to create the deferral accounts for the under-collections from the Small\Medium and Large customer groups as discussed herein, and UES is ORDERED to provide its position statement regarding the related issues discussed in this Order by December 20, 2024;

**FURTHER ORDERED**, that the internal administrative costs for UES's provision of default energy service to its customers presented in its energy service filing are APPROVED for collection through energy service rates; and it is

**FURTHER ORDERED**, that UES shall make the updated energy service rate filing, as delineated in this Order, by **December 20, 2024**, with the elements discussed herein; and it is

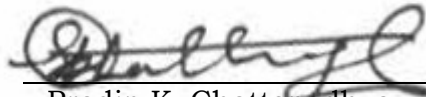
**FURTHER ORDERED**, that UES shall file with the Commission, no later than January 31, 2025, a proposal for an expanded ISO-New England market-based procurement approach, as delineated in this Order, for the Company's upcoming August 2025-January 2026 energy service period, to be assessed by the Commission in a future phase of this proceeding; and it is

**FURTHER ORDERED**, that UES, for this upcoming default service rate period, is to continue to file in this docket, by the 30<sup>th</sup> day of the following month, a 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 group.

By order of the Public Utilities Commission of New Hampshire this twelfth day of December, 2024.



Daniel C. Goldner  
Chairman



Pradip K. Chattopadhyay  
Commissioner

# Service List - Docket Related

Docket#: 24-065

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