

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 21-041

UNITIL ENERGY SYSTEMS, INC.

Order Approving Default Service Rates

O R D E R N O. 26,532

October 8, 2021

This order authorizes Unitil to recover the costs of power supply through energy service rates effective with service rendered on and after December 1, 2021. The rates are a pass-through of wholesale market prices obtained through a competitive solicitation process. As natural gas is the predominant marginal fuel used by generators in the New England electric market, and natural gas prices have increased significantly over the last year, the rates have increased significantly as a result. The order approves a six-month energy service rate of 17.518 cents per kilowatt hour (kWh) for residential customers taking energy service from Unitil. For a residential customer using 650 kWh per month, the result will be an increase in the monthly bill from \$112.47 to \$180.25, or about 60.3 percent more, compared to the six-month period ending November 30, 2021. The residential energy service rate is 8.203 cents per kWh higher than the same six-month period (December to May) a year earlier. The typical monthly bills for small commercial customers taking energy service from Unitil will increase by approximately 61.3 percent from current bills.

I. PROCEDURAL HISTORY

On October 1, 2021, Unitil Energy Systems, Inc. (Unitil) filed a petition requesting approval of its solicitation and procurement of energy service for: (1) residential (Rate D) customers; (2) small commercial (Rate G2) and outdoor lighting (Rate OL) customers; and (3) large commercial and industrial (Rate G1) customers.

The solicitation process is designed to procure 100 percent of the power supply requirement for each customer group for the six-month period beginning December 1, 2021. Following a competitive bidding process, Unitil selected NextEra Energy Marketing, LLC (NextEra), as the winning bidder for the residential, small commercial and outdoor lighting customer groups, and for the G1 large commercial and industrial customer group.

Unitil 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, most recently by Order No. 25,397 (July 31, 2012). Pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07, Unitil requested confidential treatment of the following documents: portions of Tab A of Schedule JMP-1, and Page 2 of Schedule LSM-2.

The Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28 for the docket on March 22, 2021. A hearing was held on October 5, 2021. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at:

<https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-041.html>.

II. POSITIONS OF THE PARTIES

A. Unitil

On August 31, 2021, Unitil issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period December 1, 2021, through May 31, 2022. On September 14, 2021, Unitil received initial bids that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Unitil received final bids on September 28,

2021. Unitil said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil 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.

Unitil selected NextEra as the winning bidder for the small customer (Non-G1) supply requirement (100% share) and medium customer (Non-G1) supply requirement (100% share), and for the large customer (G1) supply requirement (100% share). All three transactions are for a period of six months. With respect to the supply requirements, Unitil believes that NextEra offered the best overall value in terms of price and non-price considerations for their supply requirement. Schedule JMP-1 of Unitil's filing contains a more detailed description of the bid evaluation process. The Company attached to Mr. Pentz's testimony the standard Power Supply Agreement (PSA) and redlined versions of the final Power Supply Agreements with the winning bidder. Unitil testified that the results of the RFP indicate that the market price for power for the Small and Medium customer classes (Non-G1) for the upcoming period from December 1, 2021, through May 31, 2022, is 101% higher than the same period a year ago and 172% higher than the previous 6-month period from June 1, 2021 to November 30, 2021. Pricing for the large customer class (G1) adder is 3.5% higher than the previous 6-month period and 22.1% lower than the same period a year ago.

Unitil stated that the increase in pricing compared to the previous periods are directly attributed to significant increases in forward natural gas prices, which have a direct effect on power futures. Considering these market conditions, Unitil determined that the pricing submitted was market based and competitive.

Unitil included a renewable portfolio standard (RPS) compliance adder with the power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which Unitil obtains revenue to meet its RPS obligations under RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to purchase qualifying renewable energy certificates (RECs), where one REC represents one megawatt hour of power produced by a qualified renewable generation source. Unitil stated it issues an RFP twice a year to obtain RECs to meet 100% of its projected REC obligations. To meet its 2020 and 2021 RPS compliance requirements, Unitil issued an RFP in October 2020 for approximately half of its 2020 and 2021 RPS requirements. Unitil plans to issue a second RFP in October 2021 for the remainder of 2021 RPS requirements and half of its 2022 requirements. Unitil may also make REC purchases outside of the RFP process when it finds it advantageous to do so.

Unitil requested, effective with rates on December 1, 2021, the RPS compliance adder be \$0.00776 per kWh for the small and medium customer groups. For the G1 customer group, the RPS adder will be \$0.00726 per kWh in December 2021 and \$0.00761 per kWh in January through May 2022. Unitil based its cost estimates for the RPS adder on current market prices as communicated by brokers of renewable products, recent REC purchases, and Alternative Compliance Payment rates.

Based on the offerings by the winning bidders, Unitil calculated the fixed rate for the energy component of the Company's residential rate to be 16.742 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to be 14.605 cents per kWh. The resulting energy service rate after adding the RPS charge for residential customers is 17.518 cents per kWh, which will result in an increase of approximately 60.3 percent in monthly bills for customers using 650 kWh per month from rates currently in effect. Unitil requested

approval of the energy service fixed rate for small commercial customers of 15.381 cents per kWh, resulting in an increase of approximately 61.3 percent in monthly bills for customers using 2,800 kWh per month.

Unitil represented that bill impacts for G1 customers are not known at this time because, in the six- month period, the power supply charge component of G1 customer bills will be determined monthly based on the Real-Time Hourly Locational Marginal Price of power for the New Hampshire load zone, plus an adder to cover non-energy wholesale supplier costs and RPS costs.¹ Pricing for the large customer class adder (G1) beginning December 1, 2021, is, on average, 1.072 cents per kWh. Unitil requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. Unitil also requested that the price estimates of RECs be included in retail rates.

B. Department of Energy (Energy)

The Department of Energy represented that Unitil had complied with Commission orders regarding the solicitation, evaluation, and selection of the winning bidders, and that the proposed rates are market-based and just and reasonable. Energy recommended that the Commission approve Unitil's petition and the resulting rates.

C. Office of Consumer Advocate

Although the Office of Consumer Advocate (OCA) supported Unitil's solicitation and rate request, it objected to the extent of Unitil's redactions of material in its exhibits describing the bid process. OCA claimed not all of the material redacted was commercially sensitive. OCA suggested that the Commission should review its rules

¹ At the end of the month, the Company calculates the average market price for the month just ended, and that price is used to set the rate for the following month.

concerning protection of confidential material in routine filings. *See* N.H. Code of Admin. R. Puc 201.06 and 201.07.

III. COMMISSION ANALYSIS

We find that Unitil's solicitation and bid evaluation process conform with Order No. 24,511 (September 9, 2005), as modified, for the procurement of power supply for customers taking energy service from Unitil. *See also* RSA 374-F:3, V(c). A number of Suppliers submitted indicative bids, followed by firm bids offering their price for supplying the Unitil retail customer load. As natural gas is the predominant marginal fuel used by generators in the New England electric market, and natural gas prices have increased significantly over the last year, the bid offerings reflect Suppliers' expectation that the day-ahead and the real-time energy prices will increase significantly in the coming winter. Importantly, Unitil followed a competitive process, picked the lowest bids for each customer group, and contracted with the winning bidder. As a result of this competitive process, we find the resulting rates are market-based and are therefore just and reasonable. We find Unitil's selection of NextEra to provide power supply for the three customer groups to reflect the lowest competitive price resulting from the solicitation, and we find that the solicitation was consistent with prior Commission Orders. We also find Unitil's price estimates of RECs, which are reconciled annually, are appropriate and we approve the price estimates for inclusion in retail rates effective December 1, 2021.

We share OCA's concerns regarding broad designation of confidential portions of these filings and appreciate Unitil's agreement to review its filing more closely and file a revised version removing unnecessary redactions. As suggested, we will consider conducting a more general review of the requirements and existing utility practices under Puc 201-06 and 201.07.

Based upon the foregoing, it is hereby

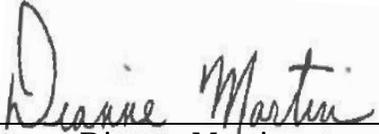
ORDERED, that the power supply agreements entered into by Unitil with NextEra Energy Marketing, LLC, for 100 percent of power supply requirements for Small and Medium (Non-G1) Customers; 100 percent of power supply requirements for Rate G2 and Rate OL customers; and for 100 percent of power supply requirements for Large G1 Customers, all for the six-month period beginning December 1, 2021, are hereby APPROVED; and it is

FURTHER ORDERED, that Unitil's request to recover the costs of the power supply agreements through rates effective with services rendered on and after December 1, 2021, through May 31, 2022, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil is authorized to use the price estimates of renewable energy certificates in its calculation of energy service rates; and it is

FURTHER ORDERED, that Unitil shall file conforming annotated tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this eighth day of October, 2021.



Dianne Martin
Chairwoman



Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket# : 21-041

Printed: 10/8/2021

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