

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 09-009

March 13, 2009

TABLE OF CONTENTS

I.	INTRODUCTION	Page 1
II.	PURPOSE OF TESTIMONY	Page 2
III.	SOLICITATION PROCESS	Page 4
IV.	RENEWABLE PORTFOLIO STANDARD COMPLIANCE	Page 9
V.	CONCLUSION	Page 11

LIST OF SCHEDULES

Schedule RSF-1: Bid Evaluation Report

Schedule RSF-2: Request for Proposals

Schedule RSF-3: Customer Migration Report

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Robert S. Furino. My business address is 6 Liberty Lane West,
4 Hampton, NH.

5

6 **Q. What is your relationship with Unitil Energy Systems, Inc.?**

7 A. I am employed by Unitil Service Corp. (the "Service Company") as Director of
8 the Energy Contracts department. The Service Company provides professional
9 services to Unitil Energy Systems, Inc. ("UES").

10

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

12 A. I received my Bachelor of Arts Degree in Economics from the University of
13 Maine in 1991. I joined the Service Company in March 1994 as an Associate
14 DSM Analyst in the Regulatory Services Department and have worked in the
15 Regulatory, Product Development, Finance and Energy Contracts
16 departments. My primary responsibilities involve energy supply acquisition.

17

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

20 A. Yes. I have testified before the Commission on several occasions.

21

22

II. PURPOSE OF TESTIMONY

Q. Please describe the purpose of your testimony.

A. My testimony documents the solicitation process followed by UES in its acquisition of Default Service power supplies (“DS”) for its G1 and Non-G1 customers as approved by the Commission in Order No. 24,511, granting UES’ Petition for Approval of a Default Service Supply Proposal for G1 and Non-G1 Customers and Approval of Solicitation Process as amended by the Settlement Agreement filed with the Commission on August 11, 2005 (the “Order”). With the current RFP, UES has contracted for three separate service requirements: (1) a 3-month DS power supply for its G1 customers, (2) a 12-month DS power supply for twenty-five percent (25%) of Non-G1 customer requirements and (3) a 24-month DS power supply for another for twenty-five percent (25%) of Non-G1 customer requirements. All supplies are for service beginning May 1, 2009.

I describe how UES solicited for bids from wholesale suppliers to provide the supply requirements in accordance with the terms of the Order as UES has done in prior DS supply solicitations. I also describe how the proposals received were evaluated and the winning bidders were chosen. Supporting documentation and additional detail of the solicitation process followed is provided in the Bid Evaluation Report (“Report”), attached as Schedule RSF-1. A copy of the RFP as issued is attached as Schedule RSF-2. Finally, an updated Customer Migration

1 Report is attached as Schedule RSF-3. The Customer Migration Report shows
2 monthly retail sales and customer counts supplied by competitive generation, total
3 retail sales and customer counts (the sum of default service and competitive
4 generation), and the percentage of sales and customers supplied by competitive
5 generation. The report provides a rolling 12 month history which covers the
6 period from February 2008 through January 2009.

7

8 Additionally, my testimony reviews UES' approach to compliance with the
9 Renewable Portfolio Standard (RPS) which went into effect in January 2008.

10

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

12 A. UES requests that the Commission:

- 13 • Find that: UES has followed the solicitation process approved by the
14 Commission; UES' analysis of the bids submitted was reasonable; and UES
15 has supplied a reasonable rationale for its choice of the winning suppliers.
- 16 • On the basis of these findings, conclude that the power supply costs resulting
17 from the solicitation are reasonable and that the amounts payable to the sellers
18 under the supply agreements are approved for inclusion in retail rates.
- 19 • Issue an order granting the approvals requested in UES' Petition on or before
20 March 20, 2009, which date is five (5) business days after the date of this
21 filing.

1

2 **III. SOLICITATION PROCESS**

3 **Q. Please discuss the Solicitation Process UES employed to secure the supply**
4 **agreement for DS power supplies.**

5 A. In the same manner as its prior solicitations for default service supplies, UES
6 conducted an open solicitation in which it actively sought interest among potential
7 suppliers, and provided potential suppliers with access to sufficient information to
8 enable them to assess the risks and obligations associated with providing the
9 services sought. UES did not discriminate in favor or against any individual
10 potential supplier who expressed interest in the solicitation. UES negotiated with
11 all potential suppliers who submitted proposals in order to obtain the most
12 favorable terms each potential supplier was willing to offer. The structure, timing
13 and requirements associated with the solicitation are fully described in the RFP
14 issued on February 3, 2009, attached as Schedule RSF-2, and summarized in the
15 Report attached as Schedule RSF-1.

16

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

18 A. UES announced the RFP's availability electronically to all participants in
19 NEPOOL by notifying all members of the NEPOOL Markets Committee via
20 email. UES also announced the issuance of the RFP via email to a list of power
21 suppliers and other entities such as distribution companies, consultants, brokers

1 and members of public agencies who have previously expressed interest in
2 receiving copies of UES's solicitations. UES followed up the email
3 announcements with telephone calls to the power suppliers to solicit their interest.
4 In addition, UES issued a media advisory to the power markets trade press
5 announcing the issuance of the RFP.

6

7 **Q. What information was provided in the RFP to potential suppliers?**

8 A. The RFP described the details of UES' DS, the related customer-switching rules,
9 and the form of power service sought. In order to gain the greatest level of
10 market interest in supplying the load, UES provided potential bidders with
11 appropriate and accessible information. Data provided included historical hourly
12 default service loads and daily capacity tags for each customer group; historical
13 monthly retail sales and customer counts by rate class and supply type; a generic
14 listing of large customers showing sales, peak demands, capacity tag values and
15 supply type; and the evaluation loads, which are the estimated monthly volumes
16 that UES would use to weight bids in terms of price. The hourly load data and
17 capacity tags, retail sales report, and large customer data were all updated prior to
18 final bidding. All documents and data files were provided to potential suppliers
19 via UES' corporate website (www.unitil.com/rfp).

20

21 **Q. How did UES evaluate the bids received?**

1 A. UES evaluated the bids on both quantitative and qualitative criteria, including
2 price, creditworthiness of bidders, a bidder's willingness to extend adequate credit
3 to UES in order to facilitate the transaction, each bidder's capability of
4 performing the terms of the RFP in a reliable manner, and willingness to enter
5 into contractual terms acceptable to UES. UES compared the pricing strips
6 proposed by the bidders by calculating weighted average prices for the supply
7 requirement using the evaluation loads that were issued along with the RFP.

8
9 UES selected TransCanada Power Marketing, LTD ("TCPM") as the supplier for
10 both the 12-month and 24-month Non-G1 supply requirements, and FPL Energy
11 Power Marketing, Inc. ("FPL Energy") as the supplier for the 3-month G1 supply
12 requirement. UES believes that these suppliers offered the best overall value in
13 terms of both price and non-price considerations for the respective supply
14 requirements.

15
16 **Q. Please describe the contents of the Bid Evaluation Report.**

17 A. Schedule RSF-1 contains the Report which further details the solicitation process,
18 the evaluation of bids, and the selection of the winning bidder. The Report
19 contains a narrative discussion of the solicitation process. A confidential section
20 labeled "Tab A" follows the narrative. Tab A includes additional discussion
21 regarding the selection of the winning bidders and presents several supporting

1 exhibits that list the suppliers who participated, the pricing they submitted and
2 other information considered by UES in evaluating final proposals, including a
3 red-lined version of the final supply agreements. UES seeks protective treatment
4 of all materials in provided in Tab A.

5

6 On the basis of the information and analysis contained in the Report, UES submits
7 that it has complied with the Commission's requirements set forth in the Order,
8 and that the resulting DS power supply costs are reasonable and that the amounts
9 payable to the seller under the supply agreement should be approved for inclusion
10 in retail rates.

11

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

14 A. UES' next default service solicitation will be for one hundred percent (100%) of
15 G1 supplies for the 3-month period beginning August 1, 2009. UES plans to issue
16 an RFP for these supplies on May 6, 2009, with a filing for approval of
17 solicitation results planned for June 12, 2009 and approval anticipated on June 19,
18 2009.

19

20 **III. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

1 **Q. Please review the method by which UES intends to comply with the recently**
2 **enacted Renewable Portfolio Standard (“RPS”) requirements.**

3 A. As discussed in prior default service filings, UES plans to comply with the
4 provisions of Chapter 362-F outside of the default service procurement process by
5 separately purchasing qualifying renewable energy certificates (“RECs”) as
6 available or by making alternative compliance payments as required.

7

8 **Q. Please describe how UES plans to recover the cost of RPS compliance from**
9 **its customers.**

10 A. UES plans to recover the costs of RPS compliance from customers by including
11 estimated costs of RPS compliance as part of its proposed retail rates each time
12 new default service rates are proposed. The actual costs of RPS compliance will
13 be reconciled as part of the Company’s annual default service reconciliations,
14 with G1 and Non-G1 costs reconciled separately.

15

16 **Q. Please describe UES’ estimates of RPS compliance costs.**

17 A. To comply with RPS requirements, for 2009 sales, UES will need to provide
18 Class 1 RECs for 0.5 percent of sales, Class 3 RECs of 4.5 percent and Class 4
19 RECs of 1.0 percent. UES intends to fulfill these requirements by purchasing
20 actual RECs to the extent qualifying RECs are available, otherwise UES would
21 make alternative compliance payments.

1

2 UES currently estimates the cost of Class 1 RECs at the Alternate Compliance
3 Prices (ACP) issued by Commission staff on January 20, 2009. As such, UES'
4 estimate for Class 1 RECs is \$60.92. UES has observed some availability of 2008
5 vintage Class 3 and Class 4 RECs and has purchased approximately fourteen
6 percent (14%) of its Class 3 requirements and twenty-seven percent (27%) of its
7 Class 4 requirements for 2008 compliance. For the purpose of establishing retail
8 rates for the proposed period, UES has assumed market prices for Class 3 and
9 Class 4 RECs based upon its prior purchases. These estimates are \$25.25 for
10 Class 3 and \$24.00 for Class 4 RECs.

11

12 **V. CONCLUSION**

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

14 **A.** Yes, it does.