

UNITIL ENERGY SYSTEMS, INC.

**DIRECT TESTIMONY OF
ROBERT S. FURINO**

**New Hampshire Public Utilities Commission
Docket No. DE 09-009**

August 28, 2009

TABLE OF CONTENTS

I.	INTRODUCTION	Page 1
II.	PURPOSE OF TESTIMONY	Page 2
III.	SOLICITATION PROCESS	Page 3
IV.	RENEWABLE PORTFOLIO STANDARD COMPLIANCE	Page 7
V.	CONCLUSION	Page 9

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 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 two separate service requirements: (1) a 3-month DS power supply for its G1 customers and (2) a 12-month DS power supply for twenty-five percent (25%) of Non-G1 customer requirements. All supplies are for service beginning November 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 Report is attached as Schedule RSF-3. The Customer Migration Report shows

1 monthly retail sales and customer counts supplied by competitive generation, total
2 retail sales and customer counts (the sum of default service and competitive
3 generation), and the percentage of sales and customers supplied by competitive
4 generation. The report provides a rolling 12 month history which covers the
5 period from August 2008 through July 2009.

6
7 Additionally, my testimony reviews UES' approach to compliance with the
8 Renewable Portfolio Standard (RPS) which went into effect in January 2008.

9
10 **Q. Please summarize the approvals UES is requesting from the Commission.**

11 **A.** UES requests that the Commission:

- 12 • Find that: UES has followed the solicitation process approved by the
13 Commission; UES' analysis of the bids submitted was reasonable; and UES
14 has supplied a reasonable rationale for its choice of the winning supplier.
- 15 • On the basis of these findings, conclude that the power supply costs resulting
16 from the solicitation are reasonable and that the amounts payable to the seller
17 under the supply agreement are approved for inclusion in retail rates.
- 18 • Issue an order granting the approvals requested in UES' Petition on or before
19 September 4, 2009, which date is five (5) business days after the date of this
20 filing.

III. SOLICITATION PROCESS

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

A. In the same manner as its prior solicitations for default service supplies, UES conducted an open solicitation in which it actively sought interest among potential suppliers, and provided potential suppliers with access to sufficient information to enable them to assess the risks and obligations associated with providing the services sought. UES did not discriminate in favor or against any individual potential supplier who expressed interest in the solicitation. UES negotiated with all potential suppliers who submitted proposals in order to obtain the most favorable terms each potential supplier was willing to offer. The structure, timing and requirements associated with the solicitation are fully described in the RFP issued on July 28, 2009, attached as Schedule RSF-2, and summarized in the Report attached as Schedule RSF-1.

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

A. UES announced the RFP's availability electronically to all participants in NEPOOL by notifying all members of the NEPOOL Markets Committee via email. UES also announced the issuance of the RFP via email to a list of power suppliers and other entities such as distribution companies, consultants, brokers and members of public agencies who have previously expressed interest in

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

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

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

20 **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 the 12 month Non-G1 supply requirements, and PSEG Energy Resources and
11 Trade, LLC ("PSEG ER&T"). UES believes that these suppliers offered the best
12 overall value in terms of both price and non-price considerations for the
13 respective supply requirement sought.

14
15 **Q. Please describe the contents of the Bid Evaluation Report.**

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

1 other information considered by UES in evaluating final proposals, including a
2 red-lined version of the final supply agreement. UES seeks protective treatment
3 of all materials in provided in Tab A.
4

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

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

13 A. UES' next default service solicitation will be for one hundred percent (100%) of
14 G1 supplies for a three-month period beginning February 1, 2010. UES plans to
15 issue an RFP for these supplies on October 27, 2009, with a filing for approval of
16 solicitation results planned for December 4, 2009 and approval anticipated on
17 December 11, 2009.
18

19 **III. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

20 **Q. Please review the method by which UES intends to comply with the**
21 **Renewable Portfolio Standard ("RPS") requirements.**

1 A. As discussed in prior default service filings, UES plans to comply with the
2 provisions of Chapter 362-F outside of the default service procurement process by
3 separately purchasing qualifying renewable energy certificates ("RECs") as
4 available or by making alternative compliance payments as required. Beginning
5 with compliance for 2009, UES anticipates procuring the bulk of its RECs by
6 means of two RFPs for RECs which will be conducted separately from its
7 procurements of default service supply. UES anticipates issuing the first of these
8 REC RFPs in late September 2009, reviewing prospective transactions with PUC
9 staff and the Office of Consumer Advocate, and contracting for up to 50 percent
10 of its 2009 RPS requirements before the end of October 2009.

11
12 **Q. Please describe UES' estimates of RPS compliance costs.**

13 A. To comply with RPS requirements for the remaining months of 2009 and
14 for 2010 sales associated with the supplies that have been procured as a result of
15 the current RFP, UES will need to provide Class 1 RECs of 0.5 percent of sales in
16 2009 and 1.0 percent of sales in 2010; Class 2 RECs of 0.04 percent of sales in
17 2010; Class 3 RECs of 4.5 percent of sales in 2009 and 5.5 percent of sales in
18 2010; and Class 4 RECs of 1.0 percent of sales in both 2009 and 2010. UES
19 currently estimates the cost of Class 1 RECs at \$50.00 for 2009 and \$55.00 for
20 2010; Class 2 RECs, the requirement for which begins in 2010, at \$80.00; Class 3
21 RECs at \$26.00 for 2009 and \$25.00 for 2010; and Class 4 RECs at \$27.00 for

1 2009 and \$25.00 for 2010. These values were derived from broker sheets
2 published by renewable energy brokers and with reference to alternative
3 compliance prices.

4

5 **V. CONCLUSION**

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

7 **A. Yes, it does.**