

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

TODD M. BOHAN

New Hampshire Public Utilities Commission

Docket No. DE 13-079

April 5, 2013

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LIST OF SCHEDULES

- Schedule TMB-1: Bid Evaluation Report**
 - Schedule TMB-2: Request for Proposals**
 - Schedule TMB-3: Customer Migration Report**
 - Schedule TMB-4: RPS Compliance Cost Estimates**
 - Schedule TMB-5: Historical Pricing by Customer Group**
 - Schedule TMB-6: RSO Program Participation**
 - Schedule TMB-7: RSO Rate Calculation and Bill Impacts**
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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Todd M. Bohan. My business address is 6 Liberty Lane West, Hampton,
4 NH.

5

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

7 A. I am employed by Unitil Service Corp. ("USC") as an Energy Analyst. USC provides
8 management and administrative services to Unitil Energy Systems, Inc. ("UES") and
9 Unitil Power Corp. ("UPC").

10

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

12 A. I graduated *magna cum laude* from Saint Anselm College, Manchester, New
13 Hampshire in 1987 with a Bachelor of Arts degree in Financial Economics. I
14 earned a Masters in Economics from Clark University, Worcester, Massachusetts
15 in May 1990. In September 1995, I earned a Ph.D. in Economics from Clark
16 University. Before joining Unitil, I worked for Bay State Gas Company as a Rate
17 Analyst. Prior to working for Bay State, I was employed as a Utility Analyst and
18 an Economist in the Economics Department of the New Hampshire Public Utilities
19 Commission. I joined Unitil Service Corp. in November 1998, and have been

1 involved in various regulatory proceedings. In August of 2010, I joined the
2 Energy Contracts group and have primary responsibilities in the areas of electric
3 market operation and data reporting, default service administration and budgeting.
4 In addition, I have administrative responsibilities associated with competitive
5 electric supplier operations with Unitil.

6

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

9 A. Yes. I have testified before the Commission on various regulatory matters, most
10 recently in UES's Default Service Solicitation proceeding, Docket No. DE 12-003,
11 and UES's Stranded Cost Recovery and External Delivery Charge Reconciliation and
12 Rate Filing, Docket No. DE 12-171.

13

14 **II. PURPOSE OF TESTIMONY**

15 **Q. Please describe the purpose of your testimony.**

16 A. My testimony documents the solicitation process followed by UES in its acquisition of
17 Default Service power supplies ("DS") for its G1 and Non-G1 customers as approved
18 by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order") granting

1 UES's Petition for Approval of Revisions to its Default Service Solicitation Process
2 for G1 and Non-G1 Customers. With the current Request for Proposal ("RFP"), UES
3 has contracted for a six-month default service power supply for its G1 customers and
4 75% of its default service power supply for Non-G1 customers for five months and
5 100% of its default service power supply for Non-G1 customers for one month.
6 Service begins on June 1, 2013.

7
8 I describe how UES solicited for bids from wholesale suppliers to provide the supply
9 requirements in accordance with the terms of the Order as UES has done in prior
10 default service supply solicitations. I also describe how the proposals received were
11 evaluated and the winning bidders were chosen. Supporting documentation and
12 additional detail of the solicitation process followed is provided in the Bid Evaluation
13 Report ("Report"), attached as Schedule TMB-1. A copy of the RFP as issued is
14 attached as Schedule TMB-2, and an updated Customer Migration Report is attached
15 as Schedule TMB-3. The Customer Migration Report shows monthly retail sales and
16 customer counts supplied by competitive generation, total retail sales and customer
17 counts (the sum of default service and competitive generation) and the percentage of
18 sales and customers supplied by competitive generation. The report provides a rolling
19 13-month history which covers the period from February 2012 through February 2013.

1 Renewable Portfolio Standard ("RPS") Compliance Cost Estimates are included as
2 Schedule TMB-4. My testimony reviews UES's approach to compliance with the
3 RPS which went into effect in January 2008. Schedule TMB-4 details projected
4 obligations and price assumptions for the coming rate period. The price assumptions
5 listed in Schedule TMB-4 are based on recent market data and information and
6 alternative compliance payment prices. Schedule TMB-5 provides historical price
7 data by customer group that is no longer subject to confidential treatment. This
8 schedule provides pricing histories associated with the most recent three-month rate
9 periods for G1 customers or six-month rate periods for Non-G1 customers for which
10 all pricing is currently subject to the Federal Energy Regulatory Commission's
11 quarterly reporting requirements. Schedule TMB-6 provides an update on the
12 Renewable Source Option ("RSO") program participation and activity to date. Lastly,
13 Schedule TMB-7 provides the Renewable Source Option Charge ("RSOC") Rate
14 Calculations and Estimated Bill Impacts.

15

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

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

- 1 • Find that: UES has followed the solicitation process approved by the Commission;
2 UES's analysis of the bids submitted was reasonable; and UES has supplied a
3 reasonable rationale for its choice of the winning suppliers.
- 4 • Find that the price estimates of renewable energy certificates ("RECs") proposed
5 by UES, based on actual purchases or current market prices and information, are
6 appropriate for inclusion in retail rates.
- 7 • On the basis of these findings, conclude that the power supply costs resulting from
8 the solicitation are reasonable and that the amounts payable to the sellers under the
9 supply agreements are approved for inclusion in retail rates.
- 10 • Issue an order granting the approvals requested herein on or before April 12, 2013,
11 which is five (5) business days after the date of this filing.

12

13 **III. SOLICITATION PROCESS**

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

16 A. In the same manner as its prior solicitations for default service supplies, UES
17 conducted an open solicitation in which it actively sought interest among potential
18 suppliers and provided potential suppliers with access to sufficient information to

1 enable them to assess the risks and obligations associated with providing the services
2 sought. UES did not discriminate in favor of or against any individual potential
3 supplier who expressed interest in the solicitation. UES negotiated with all potential
4 suppliers who submitted proposals to obtain the most favorable terms from each
5 potential supplier. The structure, timing and requirements associated with the
6 solicitation are fully described in the RFP issued on March 5, 2013. This is attached
7 as Schedule TMB-2 and is summarized in the Report attached as Schedule TMB-1.

8
9 **Q. Does this solicitation differ from those recently issued by UES, and if so please**
10 **explain?**

11 A. The solicitation process followed is the same as in prior solicitations for UES. What
12 has changed is the duration and structure of the default service supplies sought. In
13 accordance with the Commission's Order, UES is transitioning its default service
14 procurement as follows:

- 15 • For the large customer default service supply (G1), UES is moving from a three-
16 month period to a six-month period. In addition, the pricing solicited is for a
17 variable monthly price comprised of the real-time locational marginal price for the
18 New Hampshire load zone weighted by the hourly loads of all G1 customers who
19 take default service plus a fixed monthly adder. The fixed monthly adder covers

1 the non-energy wholesale charges which is then added to the variable energy cost
2 to determine the wholesale cost. The solicitation asks suppliers to bid fixed
3 monthly adders (which can vary by month, but must be fixed for the month).

- 4 • For the small customer and medium customer default service supply (collectively,
5 Non-G1), UES is moving from a ladder approach where a 25% share is
6 purchased for 12 or 24 months to a model where a 100% share is purchased for a
7 six-month period. In addition, UES is soliciting separately for its small and
8 medium customer groups.

9
10 **Q. How did UES ensure that the RFP was circulated to a large audience?**

11 A. UES announced the electronic availability of the RFP to all participants in NEPOOL
12 by notifying all members of the NEPOOL Markets Committee and the NEPOOL
13 Participants Committee via email. UES also announced the issuance of the RFP via
14 email to a list of power suppliers and other entities such as distribution companies,
15 consultants, brokers and members of public agencies who have previously expressed
16 interest in receiving copies of UES's solicitations. UES followed up the email
17 announcements with telephone calls to the power suppliers to solicit their interest. In
18 addition, UES issued a media advisory to the power markets trade press announcing
19 the issuance of the RFP.

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

2 A. The RFP described the details of UES's default service, the related customer-
3 switching rules, and the form of power service sought. To gain the greatest level of
4 market interest in supplying the load, UES provided potential bidders with appropriate
5 and accessible information. Data provided included historical hourly default service
6 loads and daily capacity tags for each customer group; class average load shapes;
7 historical monthly retail sales and customer counts by rate class and supply type; a
8 generic listing of large customers showing annual sales, peak demands, and capacity
9 tag values as well as supply type (default service or competitive generation); and the
10 evaluation loads, which are the estimated monthly volumes that UES would use to
11 weigh bids in terms of price. The retail sales report was updated prior to initial
12 bidding to provide the latest information available. All documents and data files were
13 provided to potential suppliers via UES's corporate website (www.unitil.net/rfp).

14

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

16 A. UES evaluated the bids on both quantitative and qualitative criteria, including price,
17 creditworthiness, willingness to extend adequate credit to UES to facilitate the
18 transaction, capability of performing the terms of the RFP in a reliable manner and the
19 willingness to enter into contractual terms acceptable to UES. UES compared the

1 pricing strips proposed by the bidders by calculating weighted average prices for the
2 supply requirement using the evaluation loads that were issued with the RFP.

3 UES selected Nextera Energy Power Marketing, LLC (“Nextera”) as the supplier for
4 the six-month large customer (G1) supply requirement (100% share) and selected
5 Nextera as the supplier of the medium customer (Non-G1) supply requirements (a
6 75% share for five months and a 100% share for one month). Integrys Energy
7 Services, Inc. (“Integrys”) was selected as the winning bidder of the small customer
8 (Non-G1) supply requirements (a 75% share for five months and a 100% share for one
9 month). UES believes that Nextera and Integrys offered the best overall value in
10 terms of both price and non-price considerations for the supply requirements sought.

11

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

13 A. Schedule TMB-1 contains the Report which further details the solicitation process, the
14 evaluation of bids, and the selection of the winning bidders. The Report contains a
15 narrative discussion of the solicitation process. A confidential section labeled “Tab
16 A” follows the narrative. Tab A includes additional discussion regarding the selection
17 of the winning bidders and presents several supporting exhibits that list the suppliers
18 who participated as well as the pricing they submitted and other information
19 considered by UES in evaluating final proposals, including redlined versions of the

1 final supply agreements. UES seeks protective treatment of all materials provided in
2 Tab A.

3 On the basis of the information and analysis contained in the Report, UES submits that
4 it has complied with the Commission's requirements, and that the resulting default
5 service power supply costs are reasonable and that the amounts payable to the sellers
6 under the supply agreements should be approved for inclusion in retail rates.

7

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. UES's next default service solicitation will be for one hundred percent (100%) of the
11 small, medium and large customer supply requirements for a six-month period.
12 Delivery of supplies will begin on December 1, 2013. UES plans to issue an RFP for
13 these supplies on September 3, 2013, with a filing for approval of solicitation results
14 planned for October 4, 2013 and approval anticipated by October 11, 2013.

15

16 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

17 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
18 **requirements.**

1 A. In accordance with the settlement agreement dated July 16, 2009, UES typically issues
2 two REC RFPs annually, each for approximately 50% of its REC obligations. In
3 addition, UES may make REC purchases outside of the RFP process when it finds it
4 advantageous to do so. For 2012 RPS compliance, UES completed a REC RFP on
5 January 17, 2012. UES has made some additional purchases outside of the REC RFP
6 issuance. Tab A includes an exhibit summarizing UES's REC purchases for 2012
7 compliance. UES anticipates issuing another REC RFP in the near future.

8

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

10 A. The current solicitation is for default service power supplies to be delivered beginning
11 June 1, 2013. Schedule TMB-4 lists the percentage of sales and the resulting REC
12 requirement for each class of RECs for RPS compliance along with UES's cost
13 estimates for the period beginning June 2013. UES's cost estimates are based on
14 current market prices as communicated by brokers of renewable products, recent
15 purchases of RECs, and alternative compliance payment rates for 2012 and 2013.

16

17 **Q. Does UES's estimate of RPS costs incorporate the changes made by SB 218 and**
18 **reflect changes to the RPS requirements for 2013?**

1 A. Yes and no. SB 218 creates a Class I sub-class for thermal renewable energy. This
2 renewable class was to be effective January 1, 2013 and would require that 0.20% of
3 Class I renewables be met with thermal resources. However, given the latest
4 developments that are before the Commission for its consideration in docket DE 13-
5 021, no estimate for the thermal carve out is included. In addition, effective January 1,
6 2013, the RPS requirements change as follows: Class I increases from 3.00% to
7 3.804.00%; Class II increases from 0.15% to 0.20%; and Class IV increases from
8 1.00% to 1.30%. The Class III requirement remains at 6.50% for 2013. ~~However,~~
9 ~~pending legislation may reduce that Class III requirement to 5.50% for 2013.~~ In order
10 to provide a reasonable estimate of RPS costs for the Commission, the following
11 requirements are used: Class I, 3.804.00%; Class I – Thermal Carve Out, 0.00%; Class
12 II, 0.20%; Class III, 1.505.50%; and Class IV, 1.30%. All of these changes have been
13 incorporated into UES's RPS cost estimates provided in Schedule TMB-4 REVISED.

14
15 **V. RENEWABLE SOURCE OPTION PARTICIPATION**

16 **Q. Please briefly describe UES's RSO program.**

17 A. The RSO Program, which the company is marketing to customers as the Green
18 Neighbor Program, is an optional service that allows Domestic and Regular General
19 Service default service customers who are not receiving payment assistance to

1 financially support renewable generation. Through the program, customers may
2 choose to have 25 percent, 50 percent or 100 percent of their consumption matched
3 with purchases of Class I and Class II RECs. These REC purchase obligations are in
4 addition to UES's RPS obligations. Customers who choose to participate are billed an
5 additional charge – the Renewable Source Option Charge ("RSOC"), per Schedule
6 RSO of the Company's tariff, based on the level of participation chosen.

7 With each default service filing, UES provides an update on program activity, which is
8 provided in Schedule TMB-6. With each Non-G1 default service filing, UES reviews
9 its RSOC rates and proposes new RSOC rates as appropriate for each of the three
10 options available. Since the current filing includes Non-G1 supplies, changes to the
11 RSOC rates are proposed, along with estimated bill impacts, which are provided as
12 Schedule TMB-7.

13

14 **Q. Please provide a summary of the RSO program to date.**

15 A. Schedule TMB-6 provides the number of customers participating in the program by
16 rate class and RSO option chosen, along with kilowatt-hour consumption and revenue
17 by program option, rate class and billing month. A projection of Class I and Class II
18 RECs that will be purchased as a result of the RSO program is also included in
19 Schedule TMB-6.

1 In addition, on September 11, 2012, UES filed with the Commission in docket DE 09-
2 224 its annual review of its RSO program. The parties had agreed that the RSO
3 should be continued in 2012 and a report provided when an additional year of
4 operation was completed. The annual review provides additional details regarding
5 program participation, marketing and promotional activities and costs for UES's RSO
6 program.

7

8 **Q. Please describe the proposed changes to the RSOC rates.**

9 A. UES is proposing minor changes to the RSOC rates for effect June 1, 2013. The
10 proposed rates for the RSO 25% Plan, RSO 50% Plan, and RSO 100% Plan are
11 provided in Schedule TMB-7 and represent less than a 2% increase over the rates
12 currently in effect. This minor increase in the RSOC rates is driven by a slight
13 increase in the projected REC cost.

14

15 **VI. CONCLUSION**

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

17 A. Yes, it does.