

**UNITIL ENERGY SYSTEMS, INC.**

**DIRECT TESTIMONY OF**

**LISA S. GLOVER**

**New Hampshire Public Utilities Commission**

**Docket No. DE 17-038**

**April 3, 2017**

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**Schedule LSG-2: Request for Proposals**

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**Schedule LSG-4: RPS Compliance Cost Estimates**

**Schedule LSG-5: Historical Pricing by Customer Group**

**I. INTRODUCTION**

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

A. My name is Lisa S. Glover. My business address is 6 Liberty Lane West, Hampton, NH 03842.

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

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

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

A. I received my Bachelor of Science degree in Environmental Science from the University of Massachusetts and a Master of Public Administration degree at Norwich University. Before joining Unitil, I worked as an Energy Analyst with the MA Division of Energy Resources. I joined USC in February 2003 as an Energy Efficiency Program Analyst with Business Services and then joined Energy Contracts in May 2014. I have primary responsibilities in the areas of electric market operation and data reporting, default service administration and budgeting. Additionally, I manage the Renewable Energy Credit procurement process as well as being responsible for Renewable Portfolio Standard compliance for Unitil.

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

1 A. Yes. I have testified before the Commission, most recently in UES's Stranded Cost  
2 Recovery and External Delivery Charge Reconciliation and Rate Filing, Docket No.  
3 DE 16-668 and UES's Default Service Solicitation proceeding, Docket No. DE 16-  
4 250.

5 **II. PURPOSE OF TESTIMONY**

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

7 A. This testimony documents the solicitation process followed by UES in its acquisition  
8 of Default Service power supplies ("DS") for its G1 and Non-G1 customers as  
9 approved by the Commission in Order No. 25,397, dated July 31, 2012 (the "Order")  
10 granting UES's Petition for Approval of Revisions to its Default Service Solicitation  
11 Process for G1 and Non-G1 Customers. With the current Request for Proposal  
12 ("RFP"), UES has contracted for a six-month default service power supply for 100%  
13 of its small customer group (Non-G1); 100% of its medium customer group (Non-G1);  
14 and 100% of its large customer group (G1) service requirements. Service begins on  
15 June 1, 2017.

16 **Q. Please describe the documents provided with this filing.**

17 Supporting documentation and additional detail of the solicitation process is provided  
18 in the Bid Evaluation Report ("Report"), attached as Schedule LSG-1. The structure,  
19 timing and requirements associated with the solicitation are fully described in the RFP  
20 issued on March 1, 2017 and is attached as Schedule LSG-2. An updated Customer  
21 Migration Report is attached as Schedule LSG-3. The Customer Migration Report

1 shows monthly retail sales and customer counts supplied by competitive generation,  
2 total 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 13-month history which covers the period  
5 from February 2016 through February 2017. Renewable Portfolio Standard ("RPS")  
6 Compliance Cost Estimates are included as Schedule LSG-4. My testimony reviews  
7 UES's approach to compliance with the RPS which went into effect in January 2008.  
8 Schedule LSG-4 details projected obligations and price assumptions for the coming  
9 rate period. The price assumptions are based on recent market data information and  
10 alternative compliance payment prices. Lastly, Schedule LSG-5 provides historical  
11 price data by customer group that is no longer subject to confidential treatment. This  
12 schedule provides pricing histories associated with the most recent three-month rate  
13 periods for G1 customers or six-month rate periods for Non-G1 customers for which  
14 all pricing is currently subject to the Federal Energy Regulatory Commission's  
15 quarterly reporting requirements.

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

17 A. UES requests that the Commission:

- 18 • Find that: UES has followed the solicitation process approved by the Commission;  
19 UES's analysis of the bids submitted was reasonable; and UES has supplied a  
20 reasonable rationale for its choice of the winning suppliers.

- 1       • Find that: the price estimates of renewable energy certificates (“RECs”) proposed  
2       by UES, based on actual purchases or current market prices and information, are  
3       appropriate for inclusion in retail rates.
- 4       • On the basis of these findings, conclude that the power supply costs resulting from  
5       the solicitation are reasonable and that the amounts payable to the sellers under the  
6       supply agreements are approved for inclusion in retail rates.
- 7       • Issue an order granting the approvals requested herein on or before April 10, 2017,  
8       which is five (5) business days after the date of this filing.

### 9   **III. SOLICITATION PROCESS**

10   **Q. Please discuss the Solicitation Process UES employed to secure the supply**  
11   **agreements for default service power supplies.**

12   A. UES conducted an open solicitation in which it actively sought interest among  
13   potential suppliers to provide load-following power supply to its Default Service  
14   customers. UES provided bidders with access to information on its RFP website to  
15   enable them to assess the risks and obligations associated with providing supply  
16   services. UES did not discriminate in favor of or against any individual potential  
17   supplier who expressed interest in the solicitation. UES negotiated with all potential  
18   suppliers who submitted proposals to obtain the most favorable terms from each  
19   potential supplier. The structure, timing and requirements associated with the  
20   solicitation are fully described in the RFP issued on March 1, 2017. This is attached

1 as Schedule LSG-2 and is summarized in the Bid Evaluation Report attached as  
2 Schedule LSG-1.

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

4 A. UES announced the electronic availability of the RFP to a list of power suppliers and  
5 other entities such as distribution companies, consultants, brokers, and members of  
6 public agencies who have previously expressed interest in receiving notices of UES'  
7 solicitations. The RFP was also distributed to all members of the NEPOOL Markets  
8 Committee and Participants Committee. In addition, UES issued a media advisory to  
9 a number of power markets publications announcing the issuance of the RFP. As a  
10 result, the RFP had wide distribution throughout the New England supply  
11 marketplace. UES followed up the E-mail solicitation with outreach to power  
12 suppliers to solicit their interest in bidding on all customer classes.

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

14 A. The RFP provides background information and historical data, details the service  
15 requirements and commercial terms, explains the process for selecting the winning  
16 bidders. To gain the greatest level of market interest in supplying the load, UES  
17 provided potential bidders with appropriate and accessible information. Data provided  
18 included historical hourly default service loads and daily capacity tags for each  
19 customer group; class average load shapes; historical monthly retail sales and  
20 customer counts by rate class and supply type; and the evaluation loads, which are the  
21 estimated monthly volumes that UES would use to weigh bids in terms of price. The

1 retail sales report and the historical loads and capacity tag values were updated prior to  
2 final bidding to provide the latest information available. All documents and data files  
3 were provided to potential suppliers via UES's corporate website ([www.unitil.net/rfp](http://www.unitil.net/rfp)).

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

5 A. UES evaluated the bids on both quantitative and qualitative criteria, including price,  
6 market conditions, creditworthiness, willingness to extend adequate credit to UES to  
7 facilitate the transaction, capability of performing the terms of the RFP in a reliable  
8 manner and the willingness to enter into contractual terms acceptable to UES. UES  
9 compared the pricing strips proposed by the bidders by calculating weighted average  
10 prices for the supply requirement using the evaluation loads that were issued with the  
11 RFP.

12 **Q. How did market conditions impact the prices for this next period?**

13 A. Overall prices submitted for the period were about 37% higher than the same period a  
14 year ago and 7% higher than the previous period 6-month period (Dec-2016 to May-  
15 2017) for the Non-G1 classes. UES Large customer (G1) adder bid pricing was  
16 substantially higher for this period's solicitation, on average 102% above the previous  
17 6-month period (Dec-2016 to May-2017) and 132% higher the same period a year ago.  
18 Higher bid prices are attributed to the cost of capacity increasing as a result of the  
19 Forward Capacity Market auction ("FCM") for the commitment period represented in  
20 this solicitation. The payment rate for an existing capacity offer for the commitment  
21 period 6/1/2017 through 5/31/2018, as determined by the FCM auction, is \$7.03 per



1 kilowatt month, which represents a 157% increase when compared to the prior  
2 commitment period of 6/1/2016 through 5/31/2017, where the current year existing  
3 capacity offer is \$2.74. New capacity offer rates increased 376%, from \$3.15 to  
4 \$15.00. Taking into account these market conditions, the company determined the  
5 pricing submitted was fair and competitive.

6 **Q. Please summarize the winning bidders for each customer supply requirement.**

7 A. UES selected Direct Energy Business Marketing, LLC (“Direct Energy”) as the  
8 winning bidder of the small customer (Non-G1) supply requirement (100% share) and  
9 TransCanada Power Marketing Ltd (“TransCanada”) as the winning bidder of the  
10 medium customer (Non-G1) supply requirement (100% share). NextEra Power  
11 Marketing, LLC (“NextEra”) was selected as the supplier of the large customer (G1)  
12 supply requirement (100% share). All three transactions are for a period of six  
13 months. UES believes that Direct Energy and TransCanada offered the best overall  
14 value in terms of both price and non-price considerations for the supply requirements  
15 sought.

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

17 A. Schedule LSG-1 contains the Bid Evaluation Report which further details the  
18 solicitation process, the evaluation of bids, and the selection of the winning bidders.  
19 The Report contains a narrative discussion of the solicitation process. Additional  
20 discussion regarding the selection of the winning bidders is provided along with  
21 several supporting exhibits that list the suppliers who participated, as well as the

1 pricing they submitted and other information considered by UES in evaluating final  
2 proposals, including redlined versions of the final supply agreements.

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

8 **Q. Please elaborate on the supplier response to this solicitation.**

9 A. The response to this solicitation was positive in that UES continued to receive a  
10 number of competitive bids from suppliers who sought to serve load to its Small and  
11 Medium customers. As has been the case recently, the number of suppliers who bid  
12 for the Large Load continues to be limited, although UES did receive more bids for  
13 this solicitation than the previous one. One bidder dropped out in the final bid stage  
14 due to an inability to adequately work out credit terms. UES followed up with a  
15 number of potential bidders early on in the process in order to discuss their interest in  
16 bidding for the Large Load and to understand their assessment of the risks associated  
17 with bidding a fixed adder to the energy pass-through for this class. A couple of  
18 suppliers that we spoke to indicated that they were not interested because the load was  
19 too small for them to serve. A few indicated that they would think about it with one  
20 stating they would probably consider it in the next solicitation. One stated that factors  
21 such as the small size of the class, potential significant changes to load factors, and

1 Day-Ahead Real-Time risk factored into their decision not to bid. Some bidders did  
2 not get back to us with a response. The Company will continue to reach out to  
3 suppliers to encourage their participation in our solicitation process.

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

6 A. Similar to the current solicitation, UES's next default service solicitation will be for  
7 one hundred percent (100%) of the small, medium and large customer supply  
8 requirements for a six-month period. Delivery of supplies will begin on December 1,  
9 2017. UES plans to issue an RFP for these supplies on August 29, 2017, with a filing  
10 for approval of solicitation results planned for September 29, 2017 and approval  
11 anticipated by October 13, 2017.

12 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

13 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**  
14 **requirements.**

15 A. In accordance with the settlement agreement dated July 16, 2009, UES typically issues  
16 two REC RFPs annually, each for approximately 50% of its projected REC  
17 obligations. In addition, UES may make REC purchases outside of the RFP process  
18 when it finds it advantageous to do so. For 2017 RPS compliance, UES issued a REC  
19 RFP in February 2017 for approximately half of its requirement. Some additional  
20 purchases outside of the REC RFP process have also been made. Tab A includes an

exhibit summarizing UES's REC purchases for RPS compliance. UES anticipates issuing another REC RFP at a later date in 2017.

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

A. The current solicitation is for default service power supplies to be delivered beginning June 1, 2017. Schedule LSG-4 lists the percentage of sales and the resulting REC requirement for each class of RECs for RPS compliance along with UES's cost estimates for the period beginning June 1, 2017. UES's cost estimates are based on current market prices as communicated by brokers of renewable products, recent purchases of RECs, and alternative compliance payment rates for 2017.

**Q. Does UES's estimate of RPS costs incorporate the latest RPS requirements for 2017?**

A. Yes. The following table provides a summary of the RPS requirements.

NH Renewable Portfolio Standards: 2017					
Calendar Year	Class I*	Class I Thermal	Class II	Class III	Class IV
2017	7.80%	1.40%	0.30%	8.00%	1.50%
*Class I is the gross requirement. The Class I requirement less the Class I Thermal Carve-Out requirement is 6.40% for 2017.					

Schedule LSG-4 RPS Compliance Costs Estimates incorporates the latest RPS requirements shown here.

1   **VII.   CONCLUSION**

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

3   **A.    Yes.**

