

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 19-049

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Energy Service Solicitations and
Resulting Rates for Small, Medium, and Large Customer Groups Beginning June 1, 2019**

Order Approving Petition

ORDER NO. 26,233

April 12, 2019

APPEARANCES: Patrick Taylor, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission authorizes Unitil to recover the costs of the power supply through energy service rates effective with service rendered on and after June 1, 2019, finding that Unitil's recent competitive market solicitation for power supply for its energy service customers for the six-month period beginning June 1, 2019, was conducted in accordance with prior Commission orders.

The order approves a six-month energy service rate of 7.714 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 a decrease in monthly bills from \$134.57 to \$108.73, a decrease of about 19.2 percent, as compared with the six-month period ending May 31, 2018. The average monthly bills for small commercial customers taking energy service from Unitil will decrease by about 19.9 percent from current bills.

I. PROCEDURAL HISTORY

On April 5, 2019, Unitil Energy Systems, Inc. (Unitil or Company), 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 June 1, 2019. Unitil filed the petition pursuant to the terms of a settlement agreement in Order No. 24,511 (September 9, 2005), as modified by subsequent orders, most recently by Order No. 25,397 (July 31, 2012).

Unitil selected Exelon Generation Company, LLC (Exelon), as the winning bidder for Unitil's residential customer group. NextEra Energy Marketing, LLC (NextEra), was selected as supplier for the small commercial and outdoor lighting group. Unitil selected Dynegy Marketing and Trade, LLC (Dynegy), as the winning bidder for the large customer group.

With its petition, Unitil filed the testimony of Jeffrey M. Pentz, Senior Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst, with exhibits and proposed tariff revisions. Unitil also filed its 2018 lead/lag study with the supporting testimony of Daniel T. Nawazelski, Senior Financial Analyst. In addition, Unitil submitted its quarterly customer migration report. Pursuant to N.H. Code Admin Rules Puc 201.06 and 201.07, Unitil requested confidential treatment of the following documents: Tab A of Exhibit JMP-1; Page 5 of Schedule LSM-2; Page 3 of Schedule LSM-4; Schedule DN-2; and the emails exchanged with the Staff and the OCA on April 4, 2019, which contain confidential information.

On March 13, 2019, the Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28. The Commission issued an Order of Notice on March 15, 2019, scheduling a hearing for April 10, 2019. The hearing was held as scheduled.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-049.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

On March 5, 2019, Unitil issued requests for proposals (RFPs) for energy service for their small, medium, and large customer groups for the period June 1 through November 30, 2019. On March 19, 2019, 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 April 2, 2019. Unitil said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil to facilitate the transaction, 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.

According to Unitil, it selected Exelon, NextEra, and Dynegy because those suppliers offered the best overall value in terms of price and non-price considerations listed above. Schedule JMP-1 of Unitil's filing contains a more detailed description of the bid evaluation process. The Company testified that the PSAs contain no new terms as compared to the PSA form Unitil attached to the RFP.

Unitil testified that the results of the RFP indicate that the market price for power is about 3 percent lower than the same period last year. Unitil attributed this decrease to a reduction in forward capacity market prices.

Unitil testified further that it also issued an RFP for supply from Wheelabrator Technologies, Inc. (Wheelabrator), consistent with the requirements of RSA 362-H. Unitil said that there are ongoing discussions between Wheelabrator and Unitil regarding the solicitation, and that the Company will inform the Commission and the Consumer Advocate if an agreement is reached as a result of those discussions.

Unitil includes a renewable portfolio standard (RPS) compliance adder to the power supply costs in its calculation of the energy service rate. 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), one REC representing one megawatt hour of power produced by a qualified renewable generation source. Unitil also issues an RFP twice a year to obtain RECs. For 2019 RPS compliance, Unitil has made some purchases outside of the REC RFP process. Effective with rates June 1, 2019, the RPS compliance adder will be a credit of 0.013 cents per kWh for the small and medium customer groups, due to an over-collection of RPS revenue over the past twelve months. For the G1 customer group, the RPS adder will be a credit of 0.023 cents per kWh. Unitil's cost estimates for the RPS adder are based on current market prices as communicated by brokers of renewable products, recent REC purchases, and Alternative Compliance Payment rates.

Based on the prices offered by the winning bidders, Unitil calculated the fixed rate for the energy component of the Company's residential rate to be 7.727 cents per kWh, and for the

energy component of the Company's small commercial and outdoor lighting rates to be 6.885 cents per kWh. Because the RPS adder is a credit, the resulting energy service rate for residential customers is 7.714 cents per kWh, which will result in a decrease of 19.2 percent in monthly bills for customers using 650 kWh per month from rates currently in effect. The energy service rate for the small commercial customers will be 6.872 cents per kWh, resulting in a decrease of 19.9 percent in monthly bills for customers using 2,800 kWh per month. Outdoor lighting customers also receive a rate of 6.872 cents per kWh, and will experience monthly bill decreases on an average of 10.3 percent.

Bill impacts for G1 customers are unknown 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 costs.¹ According to the Company, that adder is 25 percent lower than the previous 6-month period and 19 percent lower than the same period a year ago.

Unitil requested that the Commission approve its filing and allow the costs associated with power supply agreements to be recovered through rates. Unitil also requested that the Commission approve Unitil's 2018 lead/lag study and authorize Unitil to use the results of that lead/lag study in the calculation of energy service rates, beginning with the rates in this filing.

B. OCA

The OCA stated that the Commission should approve the results of the solicitation as expeditiously as possible.

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.

C. Staff

Staff said 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. Staff recommended that the Commission approve Unitil's petition. Finally, Staff stated that it had reviewed Unitil's 2018 lead/lag study and that it was conducted in the same way as prior lead/lag studies performed by Unitil. Staff recommended that the Commission use the results of the lead/lag study in the calculation of rates for 2019.

III. COMMISSION ANALYSIS

We find that Unitil's solicitation and bid evaluation process conforms with Order No. 24,511, as modified, for the procurement of power supply for customers taking energy service from Unitil. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based and are just and reasonable. We find Unitil's selection of Exelon to provide power supply for residential customers, NextEra for the small commercial and outdoor lighting groups, and Dynegy for the large customer group to be consistent with prior Commission orders. We also approve Unitil's use of the 2018 lead/lag study filed with its petition, and the use of the results in the calculation of energy service rates for 2019.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into by Unitil with Exelon Generation Company, LLC, for 100 percent of power supply requirements for Rate D customers for the six-month period beginning June 1, 2019, is hereby APPROVED; and it is

FURTHER ORDERED, that the power supply agreement entered into by Unitil with NextEra Energy Marketing, LLC, for 100 percent of power supply requirements for Rate G2 and

Rate OL customers for the six-month period beginning June 1, 2019, is hereby APPROVED; and it is

FURTHER ORDERED, that the power supply agreement entered into by Unitil with Dynegy Marketing and Trade, LLC, for 100 percent of power supply requirements for Rate G1 customers for the six-month period beginning June 1, 2019, is 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 June 1, 2019, through November 30, 2019, is hereby APPROVED; and it is

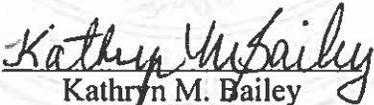
FURTHER ORDERED, that Unitil is authorized to use the results of the 2018 lead/lag study in its calculation of energy service rates; and it is

FURTHER ORDERED, that Unitil shall file conforming tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order, consistent with N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twelfth day of April, 2019.



Martin P. Honigberg
Chairman

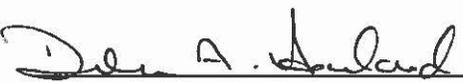


Kathryn M. Bailey
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