

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-003

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Default Service Solicitation and
Resulting Rates for Large Commercial and Industrial Customers**

Order Approving Solicitation, Bid Evaluations and Resulting Rates

ORDER NO. 25,374

June 14, 2012

Appearances: Gary M. Epler, Esq., on behalf of Unitil Energy Systems, Inc.; and Suzanne G. Amidon, Esq., on behalf of the Staff of the Public Utilities Commission.

I. BACKGROUND

On June 7, 2012, Unitil Energy Systems, Inc. (UES or Company) filed a petition requesting approval of its solicitation and procurement of default service for its large commercial and industrial (G1) customers for the three-month period August 1, 2012 through October 31, 2012, and of the resulting default service rates. In support of its petition, UES filed the testimony of Todd M. Bohan and Linda S. McNamara, a redacted bid evaluation report (Schedule TMB-1), a copy of the request for proposals (RFP) for default service (Schedule TMB-2) and a proposed tariff.

UES filed the petition pursuant to the terms of the settlement agreement approved by the Commission in *Unitil Energy Systems, Inc.*, Order No. 24,511 (September 9, 2005) 90 NH PUC 378. Pursuant to the terms of that agreement, UES solicits default service supply for its G1 customers on a quarterly basis in three-month blocks, and establishes fixed monthly prices that vary from month to month.

UES issued the RFP on May 8, 2012. Suppliers submitted indicative bids to UES on May 29, 2012 and final bids were received on June 5, 2012. On June 5, 2012, UES selected Dominion Energy Marketing, Inc. (Dominion) to provide G1 default service power supply for the three-month period August 1, 2012 through October 31, 2012. UES stated that it followed the solicitation and bid evaluation process set forth in the settlement agreement and that its analysis of the bids and choice of suppliers was reasonable. UES stated that, if its filing is approved, the overall monthly bill¹ impacts for G1 customers beginning with August 2012 bills are increases ranging from 2.1 % to 2.8% as compared to May 2012 bills.

With its petition, UES submitted its quarterly customer migration report. The Company also filed certain confidential information contained in a document identified as "Tab A". Tab A's contents include a summary of UES's evaluation of the bids and bid prices, a description of the financial security offered by each bidder, an executed purchase power agreement with Dominion and other information which the Company claims as confidential and proprietary. UES requested protective treatment of the information contained in Tab A and said that the information contained in Tab A is entitled to confidential treatment pursuant to New Hampshire Code Admin. Rules Puc 201.06 and 201.07.

On June 11, 2012 the Commission issued a secretarial letter scheduling a hearing for June 13, 2012, which was held as noticed.

¹ UES bills include charges for distribution service, external delivery service, stranded costs, storm recovery adjustment, system benefits and default service.

II. POSITIONS OF THE PARTIES

A. Unitil Energy Systems, Inc.

UES stated that, consistent with the 2005 settlement agreement, it conducted an open solicitation process, actively sought interest among potential suppliers and provided access to sufficient information to enable them to assess the risks and obligations associated with providing the services sought. UES reported that it achieved market notification of the RFP by electronically announcing its availability to all participants in the New England Power Pool (NEPOOL) by notifying all members of the NEPOOL Markets Committee. UES testified that it also announced the issuance of the RFP to a list of power suppliers and other entities such as distribution companies, consultants, brokers and members of public agencies that had previously expressed interest in receiving notices of solicitations. In addition, UES issued a media advisory to the power markets trade press announcing the RFP.

UES stated that it provided potential bidders with appropriate and accessible information in order to gain the greatest level of market interest. According to its filing, UES's historic hourly load, historic monthly retail sales and customer counts, large customer concentration data and the evaluation loads, which are the estimated monthly volumes that UES would use to weight bids in terms of price, were made available to potential bidders via UES's web site. Consistent with Order No. 24,921 (December 12, 2008) in Docket No. DE 08-015, UES's 2008 default service procurement docket, UES solicited only all-inclusive energy and capacity bids.

According to UES, it did not discriminate in favor of or against any individual potential supplier that expressed interest in the solicitation. UES said that it negotiated with all potential

suppliers that submitted proposals in order to obtain the most favorable terms each supplier was willing to offer.

UES testified that it evaluated the indicative bids using both quantitative and qualitative criteria including price, creditworthiness, willingness to extend adequate credit to UES, ability to meet the terms of the RFP in a reliable manner, and willingness to enter into contractual terms acceptable to UES. To evaluate the bids, UES said it compared the pricing strips proposed by each of the bidders by calculating weighted average prices for each supply requirement using evaluation loads that were issued along with the RFP.

The Company said that it determined that Dominion offered the best overall value in terms of both price and non-price considerations for the supply requirements and selected it as the winning bidder. On June 6, 2012, UES and Dominion executed an amendment to the Power Sales Agreement (PSA) originally entered into between the parties on September 8, 2011 for the power supply for G1 customers for the period August 1, 2012 through October 31, 2012. The Commission approved the original PSA between UES and Dominion in Order No. 25,269 (September 16, 2011) in UES's 2011 default service procurement docket.

To comply with the renewable portfolio standard (RPS) requirements of New Hampshire RSA 362-F for the August 1 through October 31, 2012 period, UES said it will need to provide Class I (new renewable resources) renewable energy certificates (RECs) for 3.0% of sales, Class II (solar resources) RECs for 0.15% of sales, Class III (existing biomass resources) RECs for 6.5% of sales, and Class IV (existing small hydro resources) RECs for 1.0% of sales. In developing the RPS adder, UES estimated the cost of Class I RECs at \$46.00, Class II RECs at \$100.00, Class III RECs at \$31.39, and Class IV RECs at \$27.50. UES derived the REC values

based on broker quotes of current market prices and recent purchases of 2011 vintage RECs. UES calculated the retail cost of RPS compliance for G1 customers to be \$0.00205 per kilowatt-hour (kWh) for the period of August through October 2012. UES testified that REC market prices had recently increased and that the Company would revisit the calculation of the RPS adder as necessary to assure that the adder collected sufficient revenue to purchase required RECs. At hearing, the Company was asked whether it had reviewed pending legislation (SB 218) that would amend the RPS law, given that it was likely that SB 218 would be enacted into law. UES replied that it was not aware of the specific changes in SB 218 but that it would review the bill to see what impact it would have, if any, on the market price of RECs and the calculation of the RPS adder.

UES testified that the revised G1 retail rates, adjusted for reconciliation, working capital requirements, provision for uncollected accounts and internal company administrative costs, and the RPS adder, for each month in the period will be as follows:

Month	August 2012	September 2012	October 2012
\$ per kWh	\$0.04500	\$0.04081	\$0.04368
RPS adder (\$ per kWh)	\$0.00205	\$0.00205	\$0.00205
Total rate (\$ per kWh)	\$0.04705	\$0.04286	\$0.04573

The proposed default service costs produce a simple three-month average rate of \$0.04521 per kWh, which represents an increase of \$0.00213 per kWh over the current simple three-month average rate of \$0.04308 per kWh for the G1 customers that remain on default service. UES said the increase reflects market rates. Based on the proposed August 2012 default service rate, the overall monthly bill impact for G1 customers are increases ranging from 2.1% to 2.8% compared to the May 2012 default service rate.

In summary, UES requested that the Commission find that UES: (1) followed the solicitation process approved in Order No. 24,511, (2) conducted a reasonable analysis of the bids submitted, and (3) supplied a reasonable rationale for its choice of supplier. UES also asked the Commission to determine that, based on those findings, the power supply costs resulting from the solicitation are reasonable, subject to the ongoing obligation of UES to act prudently, according to law and in conformity with Commission orders.

B. Commission Staff

Staff stated that it had reviewed the petition and determined that UES had complied with the settlement agreement approved by the Commission in Order No. 24,511 in conducting the bid solicitation process, evaluating the bids, and selecting the final bidder. Staff also said that the resulting rates are market based and recommended that the Commission approve the petition. Finally, Staff stated that it had completed its review of the revised lead-lag study that the Company had submitted with its March 2012 default service filing and recommended that the Commission allow UES to use the March 2012 lead-lag study in preparing its default service filings.

III. COMMISSION ANALYSIS

Regarding UES's analysis of the bids and its selection of the winning bidder, we find that UES substantially complied with the procedures approved in Order No. 24,511 for the G1 default service solicitation. We are satisfied that UES met the procedural requirements set forth in prior orders and that the result of the bidding process is consistent with the requirement of RSA 374-F:3, V(c) that default service "be procured through the competitive market." We also find that UES's evaluation of the bids and selection of Dominion was reasonable. The testimony of UES,

together with its bid evaluation report, indicates that the bid prices reflect current market conditions. We also accept the recommendation of Staff regarding UES's March 2012 lead-lag study and approve the Company's use of the study in its 2012 default service filings.

UES submitted certain information as confidential pursuant to New Hampshire Code Admin. Rules Puc 201.06 and 201.07. The relevant information is contained in Tab A to Schedule TMB-1, attached to Exhibit TMB-1 of the petition and includes a brief narrative discussion of the bids received, a list of the suppliers who responded to the RFP, a pricing summary consisting of a comparison of all price bids, each bidder's final pricing, a summary of each bidder's financial security requirements of UES, a description of the financial security offered by each bidder, UES's ranking of each bidder's financial security, the contact list used by UES during the RFP process and the amendment to the existing power supply agreement with Dominion. UES also claimed confidentiality of certain confidential information contained in a June 6, 2012 email to Staff and the Office of Consumer Advocate.

Pursuant to Puc 201.06, certain information that is submitted in routine filings by utilities is entitled to confidential treatment, including information submitted in default service proceedings. Puc 201.06 (a)(30) states that the following information will be accorded confidential in default service proceedings:

- a. default service solicitations;
- b. bidder information;
- c. descriptions of the financial security offered by each bidder;
- d. bid evaluations;
- e. rankings of bidders' financial security;
- f. descriptions of financial security required by bidders;
- g. fuel supplier contracts;
- h. commodity and fuel pricing;
- i. planned generation plant maintenance schedules;
- j. contact lists used during the requests for proposals process;

- k. financial security, pricing and quantity terms of master power agreements and amendments;
- l. Renewable Energy Certificate purchase prices, quantities and seller identities under existing contracts;
- m. transaction confirmations;
- n. retail meter commodity cost calculations;
- o. wholesale power purchase prices until made public by other governmental agencies;
- p. and responses to data requests related to a. through o. above.

We find that the category of information for which UES seeks confidential treatment is information routinely submitted in connection with default service proceedings as defined in Puc 201.06 (a) (30). Therefore, the information contained in Tab A shall be accorded confidential treatment subject to the provisions of Puc 201.07. The wholesale power costs contained in UES's filing shall be accorded confidential treatment only until such time as the costs are made public through the operation of the rules of the Federal Energy Regulatory Commission.

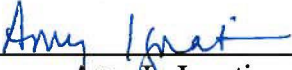
Based upon the foregoing, it is hereby

ORDERED, that the proposed purchase power agreement between Unitil Energy Systems, Inc. and Dominion Energy Marketing, Inc. to provide default service supply for UES's large commercial and industrial customers for the period from August 1, 2012 through October 31, 2012 is hereby APPROVED; and it is

FURTHER ORDERED, that the power supply costs resulting from the solicitation are reasonable and, subject to the ongoing obligation of Unitil Energy Systems, Inc. to act prudently, according to law and in conformity with Commission orders, the amounts payable to the seller for power supply costs under the three-month transaction confirmation for the period from August 1, 2012 through October 31, 2012 are APPROVED; and it is

FURTHER ORDERED, that UES shall file conforming tariffs within 30 days of the date of this Order, consistent with N.H. Code Admin. Rule Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this fourteenth day of
June, 2012.



Amy D. Ignatius
Chairman



Michael D. Harrington
Commissioner

Attested by:



Debra A. Howland
Executive Director