

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-038

UNITIL ENERGY SYSTEMS, INC.

Petition for Approval of Energy Service Solicitation and Resulting Rates for Small, Medium, and Large Customer Groups for the Period Beginning December 1, 2017

Order Approving Petition

ORDER NO. 26,062

October 6, 2017

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; Office of the Consumer Advocate by Brian Buckley, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission finds that Unitil's recent competitive market solicitation for power supply for its energy service customers for the six-month period beginning December 1, 2017, was conducted in accordance with Commission orders. The Commission authorizes Unitil to recover the costs of the power supply through energy service rates effective with service rendered on and after December 1, 2017. This order approves a six-month energy service rate of 10.034 cents per kWh for residential customers taking electric service from Unitil. For a residential customer using 650 kWh per month, the result will be an increase in monthly bills from \$110.43 per month to \$124.39 per month, or 12.6 percent when compared to the six-month period ending November 30, 2017. For customers taking default service from Unitil, the average increase for general service (small commercial) customers will be 11.6 percent, and for outdoor lighting customers, average increases in monthly bills will be 5.5 percent.

I. PROCEDURAL HISTORY

On September 30, 2017, Unitil Energy Systems, Inc. (Unitil), filed a petition requesting approval of its solicitation and procurement of default service for (1) residential (Rate D) customers, (2) small commercial (Rate G2) customers and outdoor lighting (Rate OL) customers, and (3) large commercial and industrial (Rate G1) customers. The solicitation procures 100 percent of the power supply requirements for each customer group for the six-month energy service period beginning December 1, 2017. Unitil filed the petition pursuant to the terms of a settlement agreement approved in Order No. 24,511 (September 9, 2005) as modified by subsequent orders, and most recently modified by Order No. 25,397 (July 31, 2012).

With its petition, Unitil filed the testimony of Lisa S. Glover, Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst, with supporting exhibits and proposed tariffs. Both Ms. Glover and Ms. McNamara are employed by Unitil Service Corp, which provides management and administrative services to Unitil. In addition, Unitil submitted its quarterly customer migration report.

Unitil selected Vitol, Inc. (Vitol), as the winning bidder to supply power for its residential customer group and Exelon Generation Company, LLC (Exelon), to supply power for its small commercial and outdoor lighting group, as well as for its G1 customer group. Each winning bidder will provide 100 percent of power requirements for that customer group for the six-month period beginning December 1, 2017.

With its filing, Unitil included certain confidential information contained in Schedule LSG-1, an attachment to Ms. Glover's testimony. Schedule LSG-1 contains a summary of Unitil's evaluation of the bids and bid prices, a description of the financial security offered by each bidder, and red-lined power supply agreements with the winning suppliers,

together with other information that Unitil claims is confidential and proprietary. Unitil requested protective treatment of certain information contained in its filing, stating that the information is entitled to confidential treatment as part of a routine filing pursuant to N.H. Code Admin. Rules Puc 201.06 and Puc 201.07. At the hearing, the Commission acknowledged that the information was confidential.

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/2017/17-038.html>.

The OCA previously filed a letter of participation pursuant to RSA 363:28 on March 21, 2017.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

On August 29, 2017, Unitil issued requests for proposal (RFP) for energy service for their small, medium, and large customer groups for the period beginning December 1, 2017, through May 31, 2018. On September 14, 2017, Unitil received initial bids that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Final bids were received on September 26, 2017. Unitil then selected and notified the winning bidders. Unitil stated that 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 Unitil. Unitil selected Vitol and Exelon because those suppliers offered the best overall value in terms of price and the non-price considerations listed above. Schedule LSG-1 of Unitil's filing contains a more

detailed description of the bid evaluation process. Red-lined copies of the final power supply agreements are included in Schedule LSG-1. Unitil testified that the PSAs contain no new terms as compared to the PSA form Unitil attached to the RFP.

Unitil includes a renewable portfolio standard (RPS) compliance adder to the power supply costs in its calculation of the energy service rate. The RPS adder is the per kWh charge by which Unitil obtains revenue to meet its RPS obligations pursuant to RSA 362-F. To comply with its RPS requirements, Unitil first attempts to purchase qualifying renewable energy certificates (RECs), one REC representing one megawatt hour of power produced by a renewable generation source. Unitil stated it typically issues two REC RFPs annually, each for approximately half of its projected RPS obligations. In addition, Unitil may make REC purchases outside of the RFP process when it finds it is advantageous to do so. For 2017 RPS compliance, Unitil made some purchases outside of the REC RFP process. Effective December 1, 2017, the RPS compliance adder will increase from 0.360 cents per kWh, to 0.422 cents per kWh for Rate D, Rate G2, and Rate OL customers. Part of the increase in the RPS adder is attributable to an increase in Class I RECs in 2018 as compared with 2017. Class I RECs represent energy from new renewable resources or from useful thermal resources.

Based on the prices offered by the winning bidders, Unitil calculated the fixed rate for the energy component for residential customers to be 9.612 cents per kWh, and for small commercial and outdoor lighting customers to be 8.959 cents per kWh. With the addition of the RPS adder, the resulting energy service rate for residential customers is 10.034 cents per kWh for the six-month period beginning December 1, 2017, or an average increase of 12.6 percent in monthly bills as compared with the six-month period ending November 30, 2017. With the addition of the RPS adder, the energy service rate for small commercial and outdoor lighting

customers will be 9.381 cents per kWh for the six-month period beginning December 1, 2017, or an average increase of monthly bills of 11.6 percent as compared to the six-month period ending November 30, 2017. Bill impacts for the G1 customer group are unknown because, in the six-month service period, the power supply charge component of G1 customers' bills will be determined at the end of each month based on the Independent System Operator-New England real-time hourly locational marginal price for the New Hampshire load zone, plus an adder to cover non-energy wholesale costs. Unitil reported that the adder for the G1 customer group based on the winning bid is 0.858 cents per kWh.

Unitil attributed the proposed increase to energy service rates to market rates for the winter period and to continued higher prices associated with the Forward Capacity Market.

Unitil requested that the Commission approve its filing and allow the costs associated with the PSAs to be recovered through rates.

B. OCA

The OCA opined that rates associated with the power supply agreements are just and reasonable.

C. Staff

Staff stated that it reviewed with the OCA the lead/lag study filed by Unitil on April 3, 2017, and filed a memorandum with the Commission on May 1, 2017, in which Staff recommended that the results of the lead/lag study be approved. Staff requested that the Commission approve the results in this order.

Staff determined that Unitil conducted the solicitation, bid evaluation, and selection process in a manner consistent with the Commission's prior orders and that the resulting rates are market based. Staff recommended that the Commission approve the filing.

III. COMMISSION ANALYSIS

We find that Unitil's solicitation and bid evaluation process conform to the process the Commission approved in Order No. 24,511 (as modified) for the procurement of power supply for customers taking energy service from Unitil. We also find that the resulting rates are market based, just, and reasonable. Unitil's selection of Vitol to provide power supply for the residential customer group, and its selection of Exelon to provide power for the G1 customer group and the G2 and OL customer group are consistent with the Commission's orders. We also approve Unitil's use of the lead/lag study it filed on April 3, 2017.

We recognize that Forward Capacity Market costs have contributed to an increase in energy service rates and that this trend may continue. To help mitigate the impact of capacity market costs on retail rates, we will require Unitil to offer a witness at its next default service hearing to address questions regarding Unitil's efforts to reduce costs allocated from the capacity market and ultimately paid by Unitil's ratepayers.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into by Unitil Energy Systems, Inc., with Vitol, Inc., for 100 percent of power supply requirements for Rate D customers for the six-month period beginning December 1, 2017, is hereby APPROVED; and it is


FURTHER ORDERED, that the power supply agreement entered into by Unitil Energy Systems, Inc. with Exelon Generation Company, LLC, for 100 percent of power supply requirements for the G2, OL, and G1 customers for the six-month period beginning December 1, 2017, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil's 2017 lead/lag study is hereby APPROVED for use in the calculation of rates; and it is

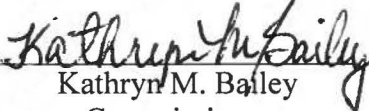
FURTHER ORDERED, that Unitil shall make available at its next default service hearing a witness to provide testimony on measures taken with its customers to reduce capacity costs; and it is

FURTHER ORDERED, that Unitil shall file conforming tariffs, incorporating the new energy service rates as approved herein, within 20 days of the date of this Order, consistent with New Hampshire Code Admin. Rules Puc 1603.

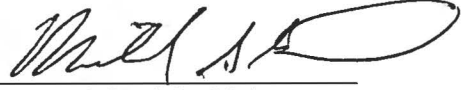
By order of the Public Utilities Commission of New Hampshire this sixth day of October, 2017.



Martin P. Honigberg
Chairman

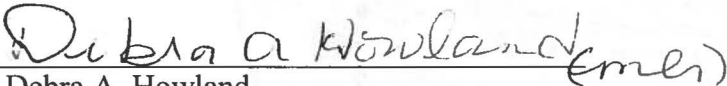


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director