

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-035

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Energy Service Solicitations and Resulting Rates for Small,
Medium, and Large Customers Beginning June 1, 2018**

Order Approving Petition

ORDER NO. 26,119

April 13, 2018

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of 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 June 1, 2018, was conducted in accordance with prior 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 June 1, 2018. This order approves a six-month energy service rate of 8.238 cents per kWh for residential customers taking electric service from Unitil. For a residential customer using 650 kWh per month, the result will be a decrease in monthly bills from \$125.03 to \$113.36, or a monthly bill decrease of 9.3 percent, as compared with the six-month period ending May 31, 2018. The average decrease in Unitil energy service rates for general service (small commercial) customers will be 11.3 percent.

I. PROCEDURAL HISTORY

On April 6, 2018, 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, 2018. 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, most recently 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 exhibits and proposed tariffs. Unitil also filed its 2017 lead/lag study with the supporting testimony of Daniel T. Nawazelski, Senior Financial Analyst. In addition, Unitil submitted its quarterly customer migration report.

Exelon Generation Company, LLC (Exelon), was the winning bidder for Unitil's residential customer and G1 customer groups. NextEra Energy Marketing, LLC (NextEra), was the winning bidder for Unitil's small commercial and outdoor lighting customers.

Unitil included certain confidential information in an attachment to Ms. Glover's testimony. Specifically, 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 supplier agreements and transaction confirmations with the winning suppliers. Unitil identified some of the information in Schedule LSG-1 as confidential and proprietary and sought protective treatment of that information under N.H. Code Admin. Rules Puc 201.06 and 201.07.

On March 19, 2018, the Office of Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28. The Commission issued an Order of Notice on March 20, 2018, scheduling a hearing on April 11, 2018. 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/2018/18-035.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unitil

On March 5, 2018, Unitil issued requests for proposal (RFPs) for energy service for their small, medium, and large customer groups for the period June 1 through November 30, 2018. On March 9, 2018, 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, 2017. Unitil 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 and NextEra 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. The Company testified that the power supply agreements (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 compliance adder is the per kilowatt hour (kWh) charge by which Unitil obtains revenue to meet its RPS obligations pursuant to RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to

purchase qualifying renewable energy certificates (RECs); one REC represents one megawatt hour of power produced by a renewable generation source. Unitil stated that 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 2018 RPS compliance, Unitil has made some purchases outside of the REC RFP process. Effective with rates June 1, 2018, the RPS compliance adder will be 0.171 cents per kWh for the residential, small commercial, and outdoor lighting customer groups, a decrease from the current RPS adder of 0.422 cents per kWh, due to an over-collection of RPS revenue over the last twelve months. For the G1 customer group, the RPS adder will be 0.184 cents per kWh.

Based on the prices offered by the winning bidders, Unitil calculated the fixed rate for the energy component for the Company's residential customers to be 8.067 cents per kWh, and for small commercial and outdoor lighting customers to be 7.206 cents per kWh. With the addition of the RPS adder, the resulting energy service rate for residential customers is 8.238 cents per kWh for the six-month period beginning June 1, 2018, which results in a decrease of 9.3 percent in overall monthly bills. The energy service rate with the RPS adder for small commercial customers will be 7.377 cents per kWh, resulting in an average decrease of 11.3 percent in monthly bills for customers using 2,800 kWh per month. Outdoor lighting customers will also pay 7.377 cents per kWh.

Bill impacts for G1 customers are unknown because, in the six-month service period, the power supply charge component of G1 customers' bills will be determined monthly based on the

Real-Time hourly Locational Marginal Price for the New Hampshire load zone, plus an adder to cover non-energy wholesale costs.¹

Unitil attributed the decrease in rates to the typical shift from higher energy costs experienced in the winter period to lower costs experienced in the summer period. Despite the decrease in energy costs, Unitil pointed out that Forward Capacity Market costs will be at historically high levels for the summer period starting June 1, 2018.

Unitil requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. Unitil acknowledged that the OCA and Staff would need additional time to review the 2017 lead/lag study, and asked that the Commission allow it to use the results of the study in the calculation of rates at this time, subject to a later reconciliation in the event the OCA and Staff recommend an adjustment to the study's results.

B. OCA

The OCA said that the Commission should approve the rates requested by Unitil. The OCA also stated it would participate in the review of the lead/lag study.

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 are just and reasonable. Staff recommended that the Commission approve Unitil's petition. Finally, Staff stated it would participate in the review of the lead/lag study with the OCA and make a recommendation to the Commission at a later time.

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.

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. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based, and are just and reasonable. Unitil's selection of Exelon to provide power supply for the residential and G1 customer groups, and its selection of NextEra to provide power for the Company's small commercial and outdoor lighting customer groups, are consistent with Commission orders. We also approve Unitil's use of the lead/lag study filed with its petition, conditioned on the review and subsequent recommendation of Staff and the OCA. Any reconciliation of rates required as a result of that review will be considered in Unitil's next energy solicitation filing.

Based upon the foregoing, it is hereby

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 Rate D and Rate G1 customers for the six-month period beginning June 1, 2018, is hereby APPROVED; and it is

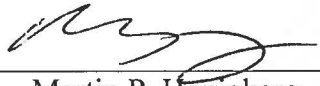
FURTHER ORDERED, that the power supply agreement entered into by Unitil Energy Systems, Inc., with NextEra Energy Marketing, LLC, for 100 percent of power supply requirements for Rate G2 and Rate OL customers for the six-month period beginning June 1, 2018, is hereby APPROVED; and it is

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, 2018, through November 30, 2018, is hereby APPROVED; and it is

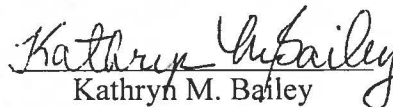
FURTHER ORDERED, that Unitil is authorized to use the results of the 2017 lead/lag study in the calculation of rates subject to any reconciliation that may result from the review by the Staff and the OCA, and our subsequent determination; and it is

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 thirteenth day of April, 2018.



Martin P. Honigberg
Chairman

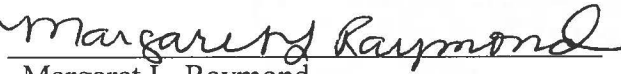


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Margaret L. Raymond
Assistant Secretary