

**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 December 1, 2019**

Order Approving Petition

ORDER NO. 26,296

October 4, 2019

APPEARANCES: Gary Epler, 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 F. Anne Ross, Esq., on behalf of Commission Staff.

This order authorizes Unitil to recover the costs of power supply through energy service rates effective with service rendered on and after December 1, 2019. The order approves a six-month energy service rate of 10.330 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 an increase in monthly bills from \$109.96 to \$126.97, or about 15.5 percent, compared to the previous six-month period ending November 30, 2019. The residential energy service rate, however, is 1.359 cents per kWh lower than the same six-month period (December-May) a year earlier. The average monthly bills for small commercial customers taking energy service from Unitil will increase by approximately 14 percent from current bills.

I. PROCEDURAL HISTORY

On September 27, 2019, Unitil Energy Systems, Inc. (Unitil or the 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 December 1, 2019. Unitil selected NextEra Energy Marketing LLC (NextEra), as the winning bidder for all three customer groups.

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 Jeffrey M. Pentz, Senior Energy Analyst, and Linda S. McNamara, Senior Regulatory Analyst, with exhibits and proposed tariff revisions. Unitil stated that the calculation of working capital included in the Power Supply Charge and the RPS Charge rely on the results of the 2018 Default Service and Renewable Energy Credits Lead/Lag Study. In addition, Unitil submitted its monthly customer migration report for the 12-months ending August 2019.

Pursuant to N.H. Code Admin Rules Puc 201.06 and 201.07, Unitil requested confidential treatment of the following documents: portions of Tab A of Schedule JMP-1; Page 2 of Schedule LSM-2; and the e-mails exchanged with the Staff and the OCA on September 26, 2019.

The OCA filed its letter of participation pursuant to RSA 363:28 for the entire docket in March 2019. For this second solicitation, the Commission issued a Secretarial Letter on September 30, 2019, scheduling a hearing for October 2, 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 on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-049.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Unutil

On August 30, 2019, Unutil issued requests for proposals (RFPs) for energy service for their small, medium, and large customer groups for the period December 1, 2019, through May 31, 2020. On September 10, 2019, Unutil received initial bids that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Unutil received final bids on September 24, 2019. Unutil said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unutil to facilitate the transactions, 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 bidder.

Unutil selected NextEra as the winning bidder for the small customer (Non-G1) supply requirement (100% share), the medium customer (Non-G1) supply requirement (100% share), and the large customer (G1) supply requirement (100% share). With respect to the supply requirements, Unutil believes that NextEra offered the best overall value in terms of price and non-price considerations. Schedule JMP-1 of Unutil's filing contains a more detailed description of the bid evaluation process. The Company attached to Mr. Pentz's testimony the standard PSA and a redline version containing NextEra's changes. Unutil testified that the results of the RFP indicate that the market price for power is about 15 percent lower than the same period last year. Unutil attributed this decrease to a reduction in forward capacity market prices.

Unutil testified that it issued an RFP for supply from Wheelabrator Technologies, Inc. (Wheelabrator), consistent with the requirements of RSA 362-H. Unutil said that Wheelabrator

did not respond to the RFP by the required deadline of September 6, 2019, and therefore Wheelabrator and the Company have not reached an agreement for the purchase of the net energy output from Wheelabrator's eligible generation plant.

Unitil included a renewable portfolio standard (RPS) compliance adder with 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 issues an RFP twice a year to obtain RECs. For 2019 RPS compliance, Unitil made some REC purchases outside of the RFP process. Unitil plans to issue a second RFP in October 2019 for the remainder of 2019 RPS requirements and half of its 2020 requirements. Effective with rates December 1, 2019, the RPS compliance adder will be 0.341 cents per kWh for the small and medium customer groups. For the G1 customer group, the RPS adder will be 0.337 cents per kWh in December 2019 and 0.330 cents per kWh in January through May 2020. Unitil based its cost estimates for the RPS adder 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 bidder, Unitil calculated the fixed rate for the energy component of the Company's residential rate to be 9.989 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to be 8.646 cents per kWh. The resulting energy service rate after adding the RPS charge for residential customers is 10.330 cents per kWh, which will result in an increase of approximately 15.5 percent in monthly bills for customers using 650 kWh per month from rates currently in

effect. The energy service fixed rate for the small commercial customers will be 8.987 cents per kWh, resulting in an increase of approximately 14 percent in monthly bills for customers using 2,800 kWh per month. The proposed rate for outdoor lighting customers is also 8.987 cents per kWh, resulting in monthly bill increases, on an average, of approximately 6.4 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 15 percent higher than the previous 6-month period and 14% lower than the same period a year ago. Unitil requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. Unitil also requested that the price estimates of RECs be included in retail rates.

B. OCA

The OCA stated that the Commission should approve the results of the solicitation as expeditiously as possible. The OCA further requested that, in light of a recent Federal Energy Regulatory Commission Order,² the Commission instruct Unitil to refrain from issuing any further solicitations to Wheelabrator pursuant to RSA 362-H:2, I.

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

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.

² New England Ratepayers Association, 168 FERC ¶ 61,169 (September 19, 2019) Docket No. EL 19-10-000.

and just and reasonable. Staff recommended that the Commission approve Unitil's petition and approve the resulting rates.

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 NextEra to provide power supply for all three customer groups to be consistent with prior Commission Orders. We also find Unitil's price estimates of RECs, which are reconciled annually, are appropriate and approve the price estimates for inclusion in retail rates effective December 1, 2019. With regard to the OCA's request, we decline to issue any instructions to Unitil regarding its solicitations to Wheelabrator.

Based upon the foregoing, it is hereby

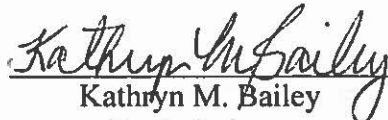
ORDERED, that the power supply agreement entered into by Unitil with NextEra Energy Marketing, LLC for 100 percent of power supply requirements for Rate D customers, 100 percent of power supply requirements for Rate G2 and Rate OL customers, and 100 percent of power supply requirements for Rate G1 customers, all for the six-month period beginning December 1, 2019, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil's request to recover the costs of the power supply agreement through rates effective with services rendered on and after December 1, 2019, through May 31, 2020, is hereby APPROVED; and it is

FURTHER ORDERED, that Unitil is authorized to use the price estimates of renewable energy certificates in its calculation of energy service rates; and it is

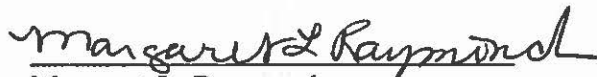
FURTHER ORDERED, that Unitil shall file conforming tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order, consistent with N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this fourth day of October, 2019.


Kathryn M. Bailey
Commissioner


Michael S. Giaimo
Commissioner

Attested by:


Margaret L. Raymond
Assistant Secretary

ExecutiveDirector@puc.nh.gov

regulatorycompliance.nh@unitil.cc

donald.kreis@oca.nh.gov

ocalitigation@oca.nh.gov

epler@unitil.com

amanda.noonan@puc.nh.gov

F.Ross@puc.nh.gov

richard.chagnon@puc.nh.gov

Stephen.Eckberg@puc.nh.gov

tom.frantz@puc.nh.gov