

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-039

UNITIL ENERGY SYSTEMS, INC.

**Petition for Approval of Energy Service Solicitations and
Resulting Rates for Small, Medium, and Large Customer Groups
Beginning December 1, 2020**

Order Approving Petition

ORDER NO. 26,414

October 6, 2020

APPEARANCES: Gary Epler, Esq., on behalf of Unitil Energy Systems, Inc.; the Office of the Consumer Advocate by Christa Shute, Esq., on behalf of residential ratepayers; and Lynn Fabrizio, 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, 2020. The order approves a six-month energy service rate of 9.315 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 the monthly bill from \$113.52 to \$128.65, or about 13.3 percent, compared to the six-month period ending November 30, 2020. The residential energy service rate, however, is 1.015 cents per kWh lower than the same six-month period a year earlier (December 2019 – May 2020). The typical monthly bills for small commercial customers taking energy service from Unitil will increase by approximately 18.3 percent from current bills.

I. PROCEDURAL HISTORY

On September 28, 2020, 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, 2020. Unitil selected NextEra Energy Marketing LLC (NextEra), as the winning bidder for the residential customer group, and Exelon Generation Company, LLC (Exelon) for the G2, OL, and G1 customer groups.

Unitil filed its 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 Renewable Portfolio Standard (RPS) Charge rely on the results of the 2019 Default Service and Renewable Energy Credits Lead/Lag Study. Unitil also submitted its monthly customer migration report for the 12 months ending August 2020.

Pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07, Unitil requested confidential treatment of portions of Tab A of Schedule JMP-1 and Page 2 of Schedule LSM-2.

The Office of the Consumer Advocate (OCA) filed its letter of participation in March 2020, pursuant to RSA 363:28 for the docket. For this second solicitation, the Commission issued a Secretarial Letter on September 25, and scheduled and held a hearing on September 30. 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/2020/20-039.html>.

II. POSITIONS

A. Unitil

On August 25, 2020, Unitil issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period December 1, 2020, through May 31, 2021. On September 8, 2020, 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 September 22. Unitil said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to Unitil to facilitate the transactions, capability of meeting the terms of the Power Supply Agreement 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.

Unitil selected NextEra Energy Marketing LLC (NextEra) as the winning bidder for the small customer (Non-G1) supply requirement (100 percent share), Exelon Generation Company, LLC (Exelon) as the winning bidder for the medium customer (Non-G1) supply requirement (100 percent share), and Exelon as the winning bidder for the large customer (G1) supply requirement (100 percent share). All three transactions are for a period of six months. With respect to the supply requirements, Unitil believes that NextEra and Exelon each offered the best overall value in terms of price and non-price considerations for their respective supply requirement shares. Schedule JMP-1 of Unitil's filing contains a more detailed description of the bid evaluation process. The standard and redlined versions of the final Power Supply Agreements with the winning bidders, were attached to Mr. Pentz's testimony.

Unitil testified that the results of the RFP indicate that the market price for power for the Small and Medium customer classes (Non-G1) for the upcoming period from December 1, 2020, through May 31, 2021, is about 16 percent lower than the same period last year, while for the Large customer class (G1) adder, pricing is about 12 percent lower than the same period a year ago. Unitil suggested that one factor contributing to this decrease is a reduction in forward capacity market prices.

Unitil included a renewable portfolio standard compliance adder with the power supply costs in its calculation of the energy service rates. 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 2020 RPS compliance, Unitil issued an RFP in October 2019 for approximately half of its 2020 RPS requirements. Unitil also plans to issue a second RFP in October 2020 for the remainder of 2020 RPS requirements and half of its 2021 requirements. Effective with rates on December 1, 2020, the RPS compliance adder will be 1.028 cents per kWh for the small and medium customer groups. For the G1 customer group, the RPS adder will be \$0.00886 cents per kWh in December 2020 and \$0.00920 cents per kWh in January through May 2021. 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 process offered by the winning bidders, Unitil calculated the fixed rate for the energy component of the Company's residential rate to be 8.287 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to

be 7.674 cents per kWh. The resulting energy service rate after adding the RPS charge for residential customers is 9.315 cents per kWh, which will result in an increase of approximately 13.3 percent in monthly bills for customers using 650 kWh per month from rates currently in effect. The energy service fixed rate for small commercial customers will be 8.702 cents per kWh, resulting in an increase of approximately 18.3 percent in monthly bills for customers using 2,800 kWh per month. The proposed rate for outdoor lighting customers is also 8.702 cents per kWh, resulting in monthly bill increases, on average, of approximately 8.5 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 supplier costs.¹ Pricing for the large customer class adder (G1) is 31 percent higher than the previous 6-month period and 12 percent 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 supported Commission approval of the solicitation results.

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 stated 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 and 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 and Exelon to provide power supply for the three customer groups to be consistent with prior Commission Orders. We also find Unitil's price estimates of RECs appropriate, and we approve the price estimates for inclusion in retail rates effective December 1, 2020, subject to annual reconciliation.

Based upon the foregoing, it is hereby

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 the small customer (Non-G1) group, for the six-month period beginning December 1, 2020, is hereby APPROVED; and it is

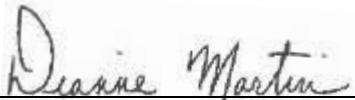
FURTHER ORDERED, that the Power Supply Agreement entered into by Unitil Energy Systems, Inc., with Exelon Generation Company, LLC for 100 percent of the power supply requirements for the medium customer group (non-G1) and for the Rate G1 customers, for the six-month period beginning December 1, 2020, 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, 2020, through May 31, 2021, is hereby APPROVED; and it is

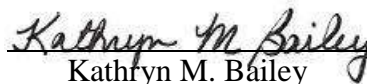
FURTHER ORDERED, that Unitil is authorized to use the price estimates of renewable energy certificates in its calculation of energy service rates; and it is

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. Admin. R., Part Puc 1603.


By order of the Public Utilities Commission of New Hampshire this sixth day of October, 2020.



Dianne Martin
Chairwoman

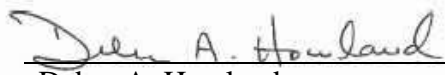


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 20-039

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Email Addresses

ExecutiveDirector@puc.nh.gov
suzanne.amidon@puc.nh.gov
james.brennan@oca.nh.gov
richard.chagnon@puc.nh.gov
Stephen.Eckberg@puc.nh.gov
epler@unitil.com
lynn.fabrizio@puc.nh.gov
tom.frantz@puc.nh.gov
donald.kreis@oca.nh.gov
amanda.noonan@puc.nh.gov
ocalitigation@oca.nh.gov