

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

ROBERT S. FURINO

New Hampshire Public Utilities Commission

Docket No. DE 10-028

December 10, 2010

TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	PURPOSE OF TESTIMONY	4
III.	SOLICITATION PROCESS	7
IV.	RENEWABLE PORTFOLIO STANDARD COMPLIANCE	11
V.	RENEWABLE SOURCE OPTION UPDATE.....	12
VI.	CONCLUSION.....	14

LIST OF SCHEDULES

Schedule RSF-1: Bid Evaluation Report

Schedule RSF-2: Request for Proposals

Schedule RSF-3: Customer Migration Report

Schedule RSF-4: RPS Compliance Cost Estimates

Schedule RSF-5: Historical Pricing by Customer Group

Schedule RSF-6: RSO Program Update

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Robert S. Furino. My business address is 6 Liberty Lane West,
4 Hampton, NH.

5

6 **Q. What is your relationship with Unitil Energy Systems, Inc.?**

7 A. I am employed by Unitil Service Corp. (the “Service Company”) as Director of
8 the Energy Contracts department. The Service Company provides professional
9 services to Unitil Energy Systems, Inc. (“UES”).

10

11 **Q. Please briefly describe your educational and business experience.**

12 A. I received my Bachelor of Arts Degree in Economics from the University of
13 Maine in 1991. I joined the Service Company in March 1994 as an Associate
14 DSM Analyst in the Regulatory Services Department and have worked in the
15 Regulatory, Product Development, Finance and Energy Contracts
16 departments. My primary responsibilities involve energy supply acquisition.

17

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission ("Commission")?**

3 A. Yes. I have testified before the Commission on many occasions.

4
5 **II. PURPOSE OF TESTIMONY**

6 **Q. Please describe the purpose of your testimony.**

7 A. My testimony documents the solicitation process followed by UES in its
8 acquisition of Default Service power supplies ("DS") for its G1 and Non-G1
9 customers as approved by the Commission in Order No. 24,511, granting UES'
10 Petition for Approval of a Default Service Supply Proposal for G1 and Non-G1
11 Customers and Approval of Solicitation Process as amended by the Settlement
12 Agreement filed with the Commission on August 11, 2005 (the "Order"). With
13 the current RFP, UES has contracted for a 3-month DS power supply for its G1
14 customers for service beginning February 1, 2011.

15
16 I describe how UES solicited for bids from wholesale suppliers to provide the
17 supply requirements in accordance with the terms of the Order as UES has done
18 in prior DS supply solicitations. I also describe how the proposals received were

1 evaluated and the winning bidder was chosen. Supporting documentation and
2 additional detail of the solicitation process followed is provided in the Bid
3 Evaluation Report ("Report"), attached as Schedule RSF-1. A copy of the RFP as
4 issued is attached as Schedule RSF-2, and an updated Customer Migration Report
5 is attached as Schedule RSF-3. The Customer Migration Report shows monthly
6 retail sales and customer counts supplied by competitive generation, total retail
7 sales and customer counts (the sum of default service and competitive generation)
8 and the percentage of sales and customers supplied by competitive generation.
9 The report provides a rolling 12-month history which covers the period from
10 November 2009 through October 2010.

11

12 Renewable Portfolio Standard ("RPS") Compliance Cost Estimates are included
13 as Schedule RSF-4. My testimony reviews UES' approach to compliance with
14 the RPS which went into effect in January 2008. Schedule RSF-4 details
15 projected obligations and price assumptions for the coming rate period. The price
16 assumptions listed in Schedule RSF-4 are based on recent market data. Schedule
17 RSF-5 provides historical price data by customer group that is no longer subject
18 to confidential treatment. This schedule provides pricing histories associated with
19 the most recent 3-month rate periods for G1 customers or 6-month rate periods for

1 non-G1 customers for which all pricing is currently subject to the Federal Energy
2 Regulatory Commission's ("FERC") quarterly reporting requirements. Lastly,
3 Schedule RSF-6 provides an update on the Renewable Source Option ("RSO")
4 program participation and activity to date.

5

6 **Q. Please summarize the approvals UES is requesting from the Commission.**

7 A. UES requests that the Commission:

- 8 • Find that: UES has followed the solicitation process approved by the
9 Commission; UES' analysis of the bids submitted was reasonable; and UES
10 has supplied a reasonable rationale for its choice of the winning suppliers.
- 11 • Find that price estimates of renewable energy certificates ("RECs") proposed
12 by UES, based on actual purchases or current market prices, are appropriate
13 for inclusion in retail rates.
- 14 • On the basis of these findings, conclude that the power supply costs resulting
15 from the solicitation are reasonable and that the amounts payable to the sellers
16 under the supply agreement are approved for inclusion in retail rates.

- Issue an order granting the approvals requested in UES' Petition on or before December 17, 2010, which is five (5) business days after the date of this filing.

III. SOLICITATION PROCESS

Q. Please discuss the Solicitation Process UES employed to secure the supply agreement for DS power supplies.

A. In the same manner as its prior solicitations for default service supplies, UES conducted an open solicitation in which it actively sought interest among potential suppliers and provided potential suppliers with access to sufficient information to enable them to assess the risks and obligations associated with providing the services sought. UES did not discriminate in favor of or against any individual potential supplier who expressed interest in the solicitation. UES negotiated with all potential suppliers who submitted proposals to obtain the most favorable terms from each potential supplier. The structure, timing and requirements associated with the solicitation are fully described in the RFP issued on November 9, 2010, which is attached as Schedule RSF-2, as well as summarized in the Report attached as Schedule RSF-1.

1 **Q. How did UES ensure that the RFP was circulated to a large audience?**

2 A. UES announced the electronic availability of the Request for Proposal ("RFP") to
3 all participants in NEPOOL by notifying all members of the NEPOOL Markets
4 Committee via email. UES also announced the issuance of the RFP via email to a
5 list of power suppliers and other entities such as distribution companies,
6 consultants, brokers and members of public agencies who have previously
7 expressed interest in receiving copies of UES' solicitations. UES followed up the
8 email announcements with telephone calls to the power suppliers to solicit their
9 interest. In addition, UES issued a media advisory to the power markets trade
10 press announcing the issuance of the RFP. The announcement was carried by
11 *Megawatt Daily* on November 10, 2010.

12

13 **Q. What information was provided in the RFP to potential suppliers?**

14 A. The RFP described the details of UES' DS, the related customer-switching rules,
15 and the form of power service sought. To gain the greatest level of market
16 interest in supplying the load, UES provided potential bidders with appropriate
17 and accessible information. Data provided included historical hourly default
18 service loads and daily capacity tags for each customer group; historical monthly
19 retail sales and customer counts by rate class and supply type; a generic listing of

1 large customers showing annual sales, peak demands, and capacity tag values as
2 well as supply type (default service or competitive generation); and the evaluation
3 loads, which are the estimated monthly volumes that UES would use to weight
4 bids in terms of price. The hourly load data, capacity tags, historical monthly
5 retail sales and customer counts by rate class and supply type were updated prior
6 to final bidding. All documents and data files were provided to potential suppliers
7 via UES' corporate website (www.unitil.com/rfp).

8

9 **Q. How did UES evaluate the bids received?**

10 A. UES evaluated the bids on both quantitative and qualitative criteria, including
11 price, creditworthiness, willingness to extend adequate credit to UES to facilitate
12 the transaction, capability of performing the terms of the RFP in a reliable manner
13 and the willingness to enter into contractual terms acceptable to UES. UES
14 compared the pricing strips proposed by the bidders by calculating weighted
15 average prices for the supply requirement using the evaluation loads that were
16 issued along with the RFP.

17

18 UES selected DTE Energy Trading, Inc. ("DTE") as the supplier for the 3-month
19 G1 supply requirement.. UES believes that DTE, offered the best overall value in

1 terms of both price and non-price considerations for the supply requirements
2 sought.

3

4 **Q. Please describe the contents of the Bid Evaluation Report.**

5 A. Schedule RSF-1 contains the Report which further details the solicitation process,
6 the evaluation of bids, and the selection of the winning bidder. The Report
7 contains a narrative discussion of the solicitation process. A confidential section
8 labeled “Tab A” follows the narrative. Tab A includes additional discussion
9 regarding the selection of the winning bidders and presents several supporting
10 exhibits that list the suppliers who participated, the pricing they submitted and
11 other information considered by UES in evaluating final proposals, including red-
12 lined versions of the final supply agreements. UES seeks protective treatment of
13 all materials in provided in Tab A.

14

15 On the basis of the information and analysis contained in the Report, UES submits
16 that it has complied with the Commission’s requirements set forth in the Order,
17 and that the resulting DS power supply costs are reasonable and that the amounts
18 payable to the sellers under the supply agreements should be approved for
19 inclusion in retail rates.

1

2 **Q. Please indicate the planned issuance date, filing date and expected approval**
3 **date associated with UES' next default service solicitation.**

4 A. UES' next default service solicitation will be for one hundred percent (100%) of
5 G1 supplies for a three-month period and for 25% of non-G1 supplies for a 24-
6 month period, both beginning May 1, 2011. UES plans to issue an RFP for these
7 supplies on February 1, 2011, with a filing for approval of solicitation results
8 planned for March 11, 2011 and approval anticipated by March 18, 2011.

9

10 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

11 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
12 **requirements.**

13 A. In accordance with the settlement agreement dated July 16, 2009, UES issues two
14 REC RFPs annually, each for approximately 50% of its REC obligations. In
15 addition, UES may make REC purchases outside of the RFP process when it finds
16 it advantageous to do so. For 2010 RPS compliance, UES completed its first REC
17 RFP on October 29 and has made additional purchases since. Tab A includes an
18 exhibit summarizing UES' REC purchases for 2010 compliance.

1

2 **Q. Please describe UES' estimates of RPS compliance costs.**

3 A. The current solicitation is for default service power supplies to be delivered
4 during 2011. Schedule RSF-4 lists the percentage of sales and the resulting REC
5 requirement for each class of REC for 2011 RPS compliance along with UES'
6 cost estimates. UES' cost estimates are based on both current market prices as
7 communicated by brokers of renewable products and recent purchases of 2010
8 vintage RECs.

9

10 **V. RENEWABLE SOURCE OPTION UPDATE**

11 **Q. Please briefly describe UES' RSO program which was approved by the**
12 **Commission on May 7, 2010 in docket, DE 09-224.**

13 A. The RSO Program, which the company is marketing to customers as the Green
14 Neighbor Program, is an optional service that allows Domestic and Regular
15 General Service default service customers who are not receiving payment
16 assistance to financially support renewable generation. Through the program,
17 customers may choose to have 25 percent, 50 percent or 100 percent of their
18 consumption matched with purchases of Class I and Class II RECs. These REC
19 purchase obligations are incremental to UES' RPS obligations. Customers who

1 choose to participate are billed an additional charge – the Renewable Source
2 Option Charge (“RSOC”), per Schedule RSO of the Company’s tariff, based on
3 the level of participation chosen.
4

5 With each non-G1 default service filing, UES will review its RSOC rates and
6 propose new RSOC rates as appropriate for each of the three options available.

7 As the current filing is for G1 supplies only, no changes to the RSOC rates are
8 proposed.. With each default service filing, UES will provide an update on
9 program activity.
10

11 **Q. Please describe UES’ ongoing efforts to market the RSO program.**

12 A. UES continues to promote participation in the RSO program. The Company’s
13 Interactive Voice Response (“IVR”) messaging has featured the RSO program
14 (marketed as the Green Neighbor Program) since with program kick off in early
15 September and will run through December 2010. In response to a media advisory
16 issued by the Company, the *Union Leader* featured an article about the Green
17 Neighbor Program on September 9, 2010. In addition, approximately 65,000
18 UES customers were mailed a brochure for the Green Neighbor Program, which
19 was delivered along with October 2010 bills. UES has also placed magnetic signs

1 advertising the program on its electric service vehicles. UES also continues to
2 monitor and update it's Facebook page for the program as well. Copies of the
3 brochure and vehicle magnets were previously provided to the Commission.

4

5 **Q. Please provide a summary of RSO program participation to date.**

6 A. Schedule RSF-6 provides the number of customers participating in the program
7 by rate class and RSO option chosen, along with kilowatt-hour consumption and
8 revenue by program option, rate class and billing month. A projection of Class I
9 and Class II RECs that will be purchased as a result of the RSO program is also
10 included in Schedule RSF-6.

11

12 **VI. CONCLUSION**

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does