

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

October 2, 2019 - 2:10 p.m.
Concord, New Hampshire

NHPUC 7NDV19Am9:45

RE: DE 19-049
UNITIL ENERGY SYSTEMS, INC.:
2019 Default Service Solicitation
for the Period Beginning
December 1, 2019.

PRESENT: Cmsr. Kathryn M. Bailey, Presiding
Cmsr. Michael S. Giaimo

Sandy Deno, Clerk

APPEARANCES: Reptg. Unitil Energy Systems, Inc.:
Gary Epler, Esq.

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Christa Shute, Esq.
Office of Consumer Advocate

Reptg. PUC Staff:
F. Anne Ross, Esq.
Richard Chagnon, Asst. Dir./Electric
Stephen Eckberg, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

**CERTIFIED
ORIGINAL TRANSCRIPT**

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JEFFREY M. PENTZ

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P R O C E E D I N G

CMSR. BAILEY: Good afternoon. We're here in Docket Number DE 19-049, which is Unitil's Default Service Charge filing for the period December 1st, 2019 through May 31st, 2020.

Before we get started, let's take appearances.

MR. EPLER: Good afternoon, Commissioners. Gary Epler, appearing on behalf of Unitil Energy Systems. Thank you.

MR. KREIS: Good afternoon, Commissioner Bailey, Commissioner Giaimo. I am D. Maurice Kreis, doing business as Don Kreis. I am the Consumer Advocate, here on behalf of residential utility customers of this and every other utility.

And with me today is our brand-new staff attorney, Christa Shute, and I have the honor of introducing her to the Commission for the first time.

CMSR. BAILEY: Welcome.

MS. SHUTE: Thank you.

MS. ROSS: Good afternoon,

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1 Commissioners. Anne Ross, Staff Attorney.
2 With me today is Steve Eckberg, new utility
3 analyst in our Electric Division. So, welcome,
4 Steve, to the Electric Division.

5 MR. ECKBERG: Thank you.

6 MS. ROSS: And Rich Chagnon, the
7 Assistant Director of the Electric Division.

8 CMSR. BAILEY: Are there any
9 preliminary matters we need to take up before
10 we proceed?

11 MR. EPLER: Yes.

12 MS. ROSS: We have premarked some
13 exhibits. Do you want to --

14 MR. EPLER: Yes, Commissioner. There
15 are several exhibits, that I believe you should
16 have copies of, that I thought we would
17 premark, as we have in the past.

18 So, starting several pages from
19 Unitil's tariff, if we could premark that as
20 "Exhibit Number 3". And, then, the binder, the
21 confidential binder, that has the exhibits and
22 testimony, and so on, if that could be
23 premarked as "Exhibit Number 4", and then the
24 redacted version would be "Exhibit Number 5".

1 And, then, we have one very minor
2 correction, but just to make it all nice.
3 There is a couple of pages that we'll go
4 through, the confidential version would be
5 "Exhibit Number 6", and the redacted version
6 would be "Exhibit Number 7". It's a cosmetic,
7 not a substantive, correction on that, number 6
8 and 7.

9 CMSR. BAILEY: Thank you.

10 (The documents, as described,
11 were herewith marked as
12 **Exhibit 3** through **Exhibit 7**,
13 respectively, for
14 identification.)

15 CMSR. BAILEY: All right. I see the
16 witnesses are in their place. Are we ready to
17 proceed?

18 MR. EPLER: Yes. They just need to
19 be sworn in.

20 CMSR. BAILEY: All right. I'm going
21 to have the honor of swearing you in today.

22 Would you raise your right hand
23 please.

24 (Whereupon **Linda S. McNamara** and

1 **Jeffrey M. Pentz** were duly sworn
2 by Cmsr. Bailey.)

3 CMSR. BAILEY: All right. Mr. Epler,
4 go ahead.

5 MR. EPLER: Thank you, Commissioner.

6 **LINDA S. McNAMARA, SWORN**

7 **JEFFREY M. PENTZ, SWORN**

8 **DIRECT EXAMINATION**

9 BY MR. EPLER:

10 Q Turning to you first, Mr. Pentz. Could you
11 introduce yourself and your position with the
12 Company?

13 A (Pentz) Sure. My name is Jeff Pentz. I'm a
14 Senior Energy Analyst with Unitil Energy
15 Systems.

16 Q And, Mr. Pentz, could you turn to what's been
17 premarked as "Exhibit Number 4", and that's the
18 tab -- the green binder, confidential version.
19 And turn to Pages 17 through 164, which are
20 your prefiled direct testimony and five
21 schedules. Were these prepared by you or under
22 your direction?

23 A (Pentz) Yes, they were.

24 Q And do you have any changes or corrections?

1 A (Pentz) I do have a correction.

2 Q Okay.

3 A (Pentz) So, on Bates Pages 044 through 046, --

4 Q Okay.

5 A (Pentz) -- it's a simple cosmetic change. So,
6 the word "indicative" should be changed to
7 "final". And there have been revised pages
8 submitted. I believe that was Exhibit 6 and 7.

9 Q Okay. And that's both on the confidential and
10 the redacted versions?

11 A (Pentz) Yes, that's correct.

12 Q Okay.

13 A (Pentz) That's the only change I have.

14 Q All right. Thank you. And do you adopt this
15 testimony and these schedules as your testimony
16 in this proceeding?

17 A (Pentz) Yes, I do.

18 Q Okay. Thank you. Ms. McNamara, could you
19 please state your full name and your position
20 with the Company?

21 A (McNamara) My name is Linda McNamara. I'm a
22 Senior Regulatory Analyst for Unitil Service
23 Corp.

24 Q And, Ms. McNamara, could you also turn to

1 what's been premarked as "Exhibit Number 4",
2 and the stamped Pages 165 through 207, which
3 are your prefiled direct testimony and seven
4 schedules. Were these prepared by you or under
5 your direction?

6 A (McNamara) Yes.

7 Q And do you have any changes or corrections?

8 A (McNamara) No.

9 Q And do adopt these as your testimony in this
10 proceeding?

11 A (McNamara) Yes.

12 MR. EPLER: Thank you very much. I
13 think, with that, the witnesses are available
14 for cross-examination.

15 CMSR. BAILEY: Mr. Kreis.

16 MR. KREIS: Thank you. Good
17 afternoon, witnesses. I have just a very few
18 questions for you all. And I'll be looking at
19 Exhibit 4, but, even though that's the
20 confidential version of your filing, I don't
21 think any of my questions relate to
22 confidential information. I'm quite sure that
23 they don't.

24 **CROSS-EXAMINATION**

1 BY MR. KREIS:

2 Q Looking at -- this is a question for Mr. Pentz.
3 On Bates Page 023, you were asked the question
4 "Has the Company complied with the requirements
5 of RSA 362-H:2, Paragraph I, to "solicit
6 proposals...from eligible facilities"?" And
7 your answer to that question is "Yes, a
8 solicitation was sent to Wheelabrator
9 Technologies, Inc., on August 29th, 2019, prior
10 to the Company's issuance of its default
11 service solicitation."

12 My first question is, why is that
13 solicitation not included in the Company's
14 filing?

15 A (Pentz) I believe that it wasn't provided in
16 the last filing as well. This is a default
17 service procurement for energy. So, I believe
18 that was a separate procurement that shouldn't
19 be included in this particular default service
20 procurement.

21 Q Is the Company willing to provide a copy of its
22 solicitation?

23 CMSR. BAILEY: Excuse me. Mr. Kreis,
24 is your mike on?

[WITNESS PANEL: McNamara|Pentz]

1 MR. KREIS: I think so, yes.

2 CMSR. BAILEY: Okay. Can you pull it
3 a little closer please?

4 MR. KREIS: Sure.

5 CMSR. BAILEY: All right. Sorry for
6 the interruption. Mr. Epler.

7 MR. EPLER: We're certainly happy to
8 provide a copy, if we could make that a record
9 request. Yes. We're happy to do that.

10 MR. KREIS: That would be awesome,
11 from my perspective.

12 *[Record request made & to be*
13 *provided, with no exhibit number*
14 *reserved.]*

15 BY MR. KREIS:

16 Q Moving on, on Bates Page 024, right after the
17 answer that I just read, you were asked "Have
18 Wheelabrator and the Company reached an
19 agreement for the purchase of the net energy
20 output from Wheelabrator's eligible generating
21 facility?" And, Mr. Pentz, your answer to that
22 question was "No." And my question is, why
23 not?

24 A (Pentz) No, we have not reached an agreement.

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[WITNESS PANEL: McNamara|Pentz]

1 So, you know, there has been a proceeding at
2 FERC related to SB 365. And there is a ruling
3 that came down a couple weeks ago that SB 365
4 was actually preempted by the Federal Power
5 Act. So, in light of FERC's decision, you
6 know, we find it very doubtful that we'll be
7 able to enter into an agreement with
8 Wheelabrator.

9 Q Does the Company intend to issue another
10 solicitation in the next default service
11 solicitation period to Wheelabrator?

12 A (Pentz) I'm not sure. I would defer to
13 Mr. Epler on that one.

14 Q Mr. Pentz, would it be fair to say that, as a
15 result of this solicitation, the default
16 service rate that will be paid, assuming
17 Commission approval, by residential customers
18 will be greater than the default service rate
19 paid by other customers?

20 A (Pentz) Other customers, being other rate
21 classes?

22 Q Yes.

23 A (Pentz) Yes.

24 Q Could you comment on why that is?

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[WITNESS PANEL: McNamara|Pentz]

1 A (Pentz) So, you know, with the small rate
2 customer class, a lot of the usage -- the
3 profiles that the wholesale bidders use to come
4 up with the price are different for the
5 residential class than the medium and large
6 classes. In the sense that, you know, small
7 residential customers tend to use more power
8 during peak periods, and that's represented in
9 the profiles that are sent to bidders.

10 You know, for example, you know, large
11 customers, you know, tend to use -- they have a
12 more flatter profile, where, you know, they may
13 have a factory that runs, you know, 24/7, with
14 a flat output hour-by-hour. So, that profile
15 is more conducive to lower energy prices.

16 But, if you have a residential profile
17 where a lot of energy is consumed during peak
18 periods, that's going to increase the price
19 that the wholesale bidder would present.

20 Q So, that's a really interesting answer. So,
21 even though residential customers are less
22 migratory than their counterparts in other rate
23 classes, the residential customers end up
24 paying more because of their load shape?

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1 A (Pentz) The characteristics of their load
2 shape, yes.

3 Q And your -- the opinion that you just expressed
4 is not idle speculation, it's based on your
5 expert experience in dealing with wholesale
6 suppliers and retail load, yes?

7 A (Pentz) I would say that's an accurate
8 statement, yes.

9 Q In your filing, you indicate that you evaluated
10 bidders using both qualitative and quantitative
11 criteria? You have to say "yes", rather than
12 nod.

13 A (Pentz) Yes.

14 Q Would the results of this solicitation have
15 been any different if you had relied solely on
16 quantitative criteria?

17 A (Pentz) No.

18 Q So, the qualitative criteria, would they come
19 into play if there were two equally situated
20 bidders, and you had to choose which one you
21 liked better for qualitative reasons? I'm just
22 trying to figure out what role these
23 qualitative criteria actually play in your
24 evaluation of bids?

1 A (Pentz) Sure. You know, in this particular
2 solicitation, you know, the qualitative issues,
3 there really were none. And it just so happens
4 that, you know, that particular bidder
5 submitted the best pricing.

6 Now, I recall, in previous solicitations,
7 where a qualitative issue did appear. And we
8 did not actually take that winning bid, even
9 though, you know, they did submit very
10 aggressive pricing.

11 Q Do these qualitative criteria play a role at
12 all in your informal discussions with bidders?
13 Do you discourage certain bidders from bidding,
14 if you think they have qualitative issues?

15 A (Pentz) I wouldn't discourage them from bidding
16 necessarily. I mean, we would certainly have a
17 discussion with the bidders to try to, you
18 know, to have the bidder provide more details
19 as to what the issue was, how they have
20 rectified those issues, if they have rectified
21 the issues. You know, if we feel the bidder,
22 you know, should provide more financial credit
23 to the Company for providing service, that's a
24 conversation that has been had before, in lieu

[WITNESS PANEL: McNamara|Pentz]

1 of these qualitative issues.

2 Q The results that we're looking at here are
3 really the results of three separate
4 solicitations, but you chose the same bidder as
5 the winner of all three. Is that a
6 coincidence?

7 A (Pentz) That is the -- the bidder submitted the
8 best pricing for all three rate classes.

9 Q So, in other words, the rate class I care about
10 is, obviously, the Residential class. And you
11 didn't pick the winner in the Residential class
12 because you liked that bidder in the other
13 classes?

14 A (Pentz) No.

15 Q It was, basically, the same bidder winning
16 three separate horse races?

17 A (Pentz) That's correct. And, as a result of
18 the previous solicitation, we actually had
19 quite a diverse background in suppliers. We
20 had three different suppliers each win each
21 different rate class. So, --

22 CMSR. BAILEY: Is that a piece of
23 confidential information?

24 MR. EPLER: No.

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[WITNESS PANEL: McNamara|Pentz]

1 CMSR. BAILEY: The number of bidders?

2 MR. EPLER: I don't think he --

3 MS. ROSS: I think it has been
4 treated as confidential in the past. Because
5 it allows other market participants a sort of
6 window into how competitive the process was
7 this time around.

8 WITNESS PENTZ: But what I said,
9 though, is just the winning bidders, not the
10 whole pool.

11 CMSR. BAILEY: The winning bids? Oh,
12 the winning bidders, being NextEra in each
13 group?

14 WITNESS PENTZ: Yes.

15 CMSR. BAILEY: Okay.

16 MR. EPLER: Yes. I did not take him
17 to indicate a number indicating the number of
18 bidders. Just that we had three separate
19 bidders who won, and we had three separate
20 contracts with three separate entities.

21 CMSR. BAILEY: The confusing thing
22 is, those separate entities are all the same.

23 MR. EPLER: No. We were talking
24 about the previous solicitation.

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[WITNESS PANEL: McNamara|Pentz]

1 CMSR. BAILEY: Oh. All right. Okay.
2 Sorry.

3 MR. KREIS: And I think -- that's all
4 done?

5 CMSR. BAILEY: Yes, Mr. Kreis. I'm
6 sorry for the interruption.

7 MR. KREIS: No, not at all, and it's
8 important to get that right. I just wanted to
9 make sure that we figured that out.

10 BY MR. KREIS:

11 Q Just looking at the Customer Migration Report,
12 which is at Bates Page 159, I wonder if I could
13 ask Mr. Pentz just to comment on trends in
14 residential customer migration, and what it
15 tells you about the -- I guess, the state of
16 the competitive market in retail supply?

17 A (Pentz) Sure. Based off of the Customer
18 Migration Report, as you can see, going from
19 August '18 to August '19, there is a reduction
20 in the number of retail sales that is on
21 competitive supply. So, what you see here is a
22 migration to default service, a trend of
23 migration to default service.

24 Q And what -- so that trend is sort of, I don't

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1 know, downward, either modestly or not so
2 modestly, depending on your perspective, I
3 suppose. Is there a reason that you can give
4 for that downward trend?

5 A (Pentz) It could be due to a -- you know, I
6 mean, there are many factors out there. You
7 know, it depends upon the pool of competitive
8 suppliers in New Hampshire that are
9 participating in the markets, what kind of
10 pricing that they are issuing to retail
11 customers. You know, there's no way to
12 accurately say why 100 percent it's going down,
13 but, you know, you could have retail suppliers
14 not -- not competitively pricing customers like
15 they used to.

16 Q And, if and when community choice aggregation
17 becomes a significant factor here in New
18 Hampshire, that will show up as customer
19 migration in your default service solicitation,
20 yes?

21 A (Pentz) Yes.

22 MR. KREIS: Given that Ms. McNamara's
23 testimony was so lucid and persuasive in its
24 own right, I don't have any questions for her.

1 And I think those are all my questions for
2 Mr. Pentz.

3 CMSR. BAILEY: Thank you. Ms. Ross.

4 MS. ROSS: Thank you. And good
5 afternoon, witnesses. I don't have too many
6 questions. I am going to be referring to
7 Exhibit 3. And I would just like to note that
8 Staff appreciated Unitil's willingness to have
9 a telephone conference with us yesterday to
10 explore in some detail how the filing is put
11 together and how the numbers track through the
12 filing. And, so, we -- as a result, we don't
13 have a lot of specific questions on your
14 schedules today. So, thank you for that.

15 BY MS. ROSS:

16 Q We did want to clarify a little bit how
17 customers are moved from your variable rate to
18 your fixed rate, and back and forth. And that
19 is what is contained in Exhibit 3 as part of
20 your default service tariff. And I just wanted
21 to reference that, but to ask you a couple of
22 questions.

23 The first one is, if a new customer moves
24 into your service territory and requests

1 service in January, which is after the start of
2 this six-month rate period, would they be on a
3 fixed or a variable Non-G1 rate? So, we're
4 assuming now they're not a G1 customer.

5 A (McNamara) They would have the option to
6 choose. However, if they did not choose, I
7 believe they would automatically be placed on
8 the fixed, fixed service. And the reason I say
9 that is I don't know why a customer service rep
10 wouldn't ask "would you like fixed or variable
11 service?" However, they do have the option,
12 but they are placed on fixed service.

13 Q Okay. Thank you. And, if a customer, who was
14 on competitive supply, ends that relationship
15 and comes back to default supply, would they be
16 on a fixed or variable rate?

17 A (McNamara) If a customer on competitive supply
18 came back to default service mid-cycle, if you
19 will?

20 Q Yes.

21 A (McNamara) They would be placed on variable.
22 That would be really the only time a customer
23 would automatically be placed on variable
24 service. A customer at any time could choose

1 variable.

2 Q And do they have to request to be moved to a
3 fixed rate at the end of that period?

4 A (McNamara) They do.

5 Q And how do they communicate that generally?
6 What type of customer communications does the
7 Company accept?

8 A (McNamara) I can't answer that for certain. My
9 suspicion would be that phone calls always
10 work. But I don't know how, I have never done
11 it myself, so, I don't know how, if you could
12 do that online as well.

13 Q Okay. That's fair.

14 A (Pentz) I'll just contribute to that. You
15 know, it is acceptable for a customer to call
16 our Customer Service Department to be placed
17 on, you know, a fixed or variable rate. So,
18 that is one avenue.

19 Q And, so, what type of notice does a customer
20 get concerning their options, when they -- when
21 they go off of competitive supply onto variable
22 default service?

23 A (McNamara) Meaning, what kind would they --

24 Q How do they get notice that, one, that they're

[WITNESS PANEL: McNamara|Pentz]

1 going onto a variable rate, and, two, that they
2 have to take affirmative action at the end of
3 the six-month period to get back on a fixed
4 rate?

5 A (McNamara) I believe that would be a discussion
6 they would have with the customer service
7 representative they were speaking with.

8 Q So, those changes, the move from competitive
9 service onto default service, always goes
10 through your customer service process, and that
11 process is your vehicle for giving customer
12 notice of their different options?

13 A (McNamara) That is, I would imagine, what would
14 happen most of the time. Again, I'm not aware
15 if there are other avenues, if there are online
16 options or not. But, certainly, most
17 residential customers would call.

18 Q And, then, when they hit the end of that
19 current procurement period, so that they would
20 be eligible to request, you know if there is
21 any automatic notice sent to them "hey, you
22 know, if you're considering going back on a
23 fixed rate, you need to call us", or do you
24 know?

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[WITNESS PANEL: McNamara|Pentz]

1 A (McNamara) I do not know that. You know, the
2 Company definitely provides bill notices and
3 sort of bill messages, bill inserts. I'm not
4 sure of the particular avenue that's taken.
5 But that there are two options available, a
6 fixed and variable rate.

7 Q Do you have any idea how many customers are
8 currently on the variable rate in the
9 residential class, by a percentage of your
10 customer class?

11 A (McNamara) I don't. I know the number is quite
12 small.

13 Q Is that the same in the medium customer class?

14 A (McNamara) The medium class is slightly larger.

15 Q When you say "small", do you mean less than
16 10 percent?

17 A (McNamara) Oh, yes. I would feel very
18 comfortable saying "less than 10 percent".

19 MS. ROSS: Okay. All right. Thank
20 you. That's all the question I have.

21 CMSR. BAILEY: Commissioner Giaimo.

22 CMSR. GIAIMO: Good afternoon.

23 WITNESS McNAMARA: Hi.

24 WITNESS PENTZ: Good afternoon.

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1 CMSR. GIAIMO: Okay. So, I, too, am
2 going to use Exhibit 3 -- or 4. I'll use
3 Exhibit 4.

4 BY CMSR. GIAIMO:

5 Q I'm looking at the letter that Mr. Epler
6 submitted, but I think I can ask you a question
7 about this letter, because I think he was
8 summarizing your testimony. So, he states "UES
9 believes that NextEra offered the best overall
10 value in terms of both price and non-price
11 considerations for the supply of -- for the
12 supply requirement sought."

13 So, my question to you is, what's meant by
14 "non-price requirements"? Is that anything
15 more than credit rating or is it something
16 larger?

17 A (Pentz) I think, you know, financial status and
18 credit rating of the wholesale suppliers is
19 important. So, I think that would, you know,
20 kind of tie into the qualitative aspect. And,
21 you know, that would be the most significant
22 non-price.

23 I would say that, you know, how long the
24 wholesale supplier has been in business for,

1 how long they have been participating in our
2 default service auctions. Yes.

3 Q Okay. Thanks. Thanks for that clarification.
4 I'm going to move onto the tariff pages, the
5 proposed tariff pages, but I think they would
6 be Bates 013. And it goes -- and it shows
7 the -- it says the "Calculation of Default
8 Service Charge". And I'm wondering if you have
9 any idea why December 2019 is higher than both
10 January and February of 2019 [2020?]? If it
11 has something to do with the winter premium,
12 I'm wondering why January and February would be
13 lower than December?

14 A (Pentz) Well, I'll take this one. So, the
15 monthly power prices, you know, they are
16 submitted by the wholesale bidder on a monthly
17 basis. And, of course, we use the weighted
18 average over the six months as a final bid
19 price. You know, the way these numbers are --
20 the way the default service charges are
21 calculated are by month. So, you know, largely
22 these numbers reflect the winning wholesale
23 bidder's modeling and what they anticipate to
24 be the highest cost month. You know, so, the

[WITNESS PANEL: McNamara|Pentz]

1 winning bidder, through their forecasting and
2 modeling, you know, came up with a price that
3 is highest in December, as opposed to January
4 and February.

5 Why is that? That's hard to answer from,
6 you know, our perspective. You'd really have
7 to be behind the wholesale supplier to, you
8 know, see what their analysis was as to why
9 they priced December higher than January and
10 February.

11 Q Okay. And you'd have a similar question as to
12 why May is maybe 15 to 20 percent higher than
13 April, the same answer?

14 A (Pentz) Yes. Yes.

15 Q Thanks. Can I ask you to opine on how the
16 capacity market affected prices and how that
17 may change effective June 1st?

18 A (Pentz) Sure. So, you know, as we've seen in
19 the New England marketplace, we've gone through
20 a high period, you know, over the past couple
21 of years in capacity prices. You know, we're
22 currently trending downward. And, I believe,
23 you know, the clearing price right now -- let's
24 see. So, for the commitment period of

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[WITNESS PANEL: McNamara|Pentz]

1 June 1st, 2019, you know, to May 31st, 2020 is
2 \$7.03 per kilowatt-month. It's going down to
3 \$5.30 starting June 1st, 2020, and then \$4.63
4 starting June 1st, 2021. So, the capacity
5 prices are going down. So, yes.

6 Q And then it flows through the bills --

7 *[Court reporter interruption.]*

8 BY CMSR. GIAIMO:

9 Q And it flows through the consumer bills?

10 A (Pentz) Yes.

11 Q Were the suppliers asked to bid in the RPS
12 requirement or is the -- the utility always
13 will do that through its own methods?

14 A (Pentz) The utility procures renewable energy
15 credits through its own separate process.

16 Q Has it considered just having an option for the
17 suppliers to bid that in?

18 A (Pentz) We haven't spoken about that. I am
19 familiar with other utilities in the region
20 that do it that way. That's something we can
21 take back and look at. But I think the process
22 that we've been doing, by issuing separate RFPs
23 for RECs, have been working pretty well so far
24 in the past.

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1 Q Okay. So, getting to that, was there an
2 over-collection in REC for the past six months?

3 A (McNamara) Yes.

4 Q Was that in the tune of about a million
5 dollars?

6 A (McNamara) Well, it's not done by a six-month
7 period, it's done -- but, you know, but,
8 yes, --

9 Q Five hundred thousand each for the past six
10 months?

11 A (McNamara) It was, in this most recent one,
12 closer to \$2 million. With the Company trying
13 to move to the reconciliation for 2017, I
14 believe it was, in -- that reconciliation is
15 done in June/Julyish of 2018, I think I have my
16 years right, based on when the RPS requirement
17 ends.

18 And, then, 2018, because of the fall-off
19 in -- Mr. Pentz might know better the timeline,
20 but I want to say it was a fall-off in RPS
21 prices at the end of calendar year 2018. I'm
22 not sure what specific time that was.

23 A (Pentz) Yes. So, I'll just add to that. You
24 know, there was quite an oversupply,

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1 particularly in the Class I and Class III REC
2 markets, for 2018, which caused a pretty
3 significant fall-off in REC prices. So, you
4 know, the Company was able to take advantage of
5 that.

6 So, you know, getting to, you know,
7 Ms. McNamara's, you know, what she said is
8 that, you know, there could be an
9 over-collection there, because we may have
10 accrued at a higher rate there.

11 Q Okay. Well, what assurance do we have that we
12 won't see another \$2 million over-collection?
13 Is there any assurance?

14 A (McNamara) I'd like to say that it's not
15 possible. I don't see it as being likely, for
16 sure. But, again, if prices, for some reason,
17 and I'm not as familiar with it as Mr. Pentz
18 is, but I believe that drop-off at the end of
19 calendar 2018 was rather sudden. And I guess I
20 could go out on a limb and say "unexpected".
21 So, if something like that was to happen again,
22 I don't know that it would be unheard of to
23 have, you know, an undercollection like that --
24 an over-collection, I'm sorry.

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1 A (Pentz) Can --

2 Q I don't know where it resides in Attachment --
3 or, in Exhibit 4, but you probably know it off
4 the top of your head. What is the REC price
5 that's proposed and what is the existing REC
6 price? They're almost the same, correct?

7 A (Pentz) REC prices --

8 Q Not REC prices, the charge.

9 A (McNamara) Oh.

10 Q I think it's 0.00337.

11 A (McNamara) It's 0.00341 is for the Residential
12 and G2, Outdoor Lighting class, for the fixed
13 six-month period. And that's shown on the
14 tariff page calculation. And I don't know the
15 page number. I believe it's Bates Page 161,
16 which is slightly cut off. That shows the RPS
17 cost estimate for the same period, without the
18 over-collection added in.

19 Q Okay. So, that's -- and what are those numbers
20 based on? The market price assumptions of
21 those?

22 A (Pentz) These are based on the market price
23 assumptions of renewable energy credits.

24 Q Not alternative compliance payments, but --

1 A (Pentz) No.

2 Q Okay.

3 A (Pentz) So, what we're seeing here, on Bates
4 Page 161, you know, you're seeing, in 2019 and
5 2020, much higher REC prices than experienced
6 in 2018. And you can see, I mean, REC prices
7 have risen quite a bit because of compliance
8 requirements that are increasing throughout New
9 England.

10 In Massachusetts, you had the Clean Energy
11 Standard, which directly interplays with the
12 regional Class I market. And that has,
13 basically, the market will most likely not be
14 under supplied, but it's going to cause pricing
15 to go higher just because of fundamental
16 economics. There isn't an oversupply that
17 there quite was in 2018. So, that's why you're
18 seeing \$35 market price assumptions that we
19 receive from REC broker sheets. You know, and
20 we've used our, you know, our interpretation to
21 kind of see where, you know, to accurately
22 estimate the prices of the RECs going forward.

23 CMSR. GIAIMO: Okay. I'm going to
24 turn it over to Commissioner Bailey. Thanks.

1 BY CMSR. BAILEY:

2 Q Can we go back to Page 161? Can you tell me,
3 for each of the classes, if you know what the
4 ACPs are?

5 A (Pentz) I have 2018's ACP here. But,
6 obviously, that's not 2019 or 2020.

7 Q Do they change every year?

8 A (Pentz) They do change. They escalate by,
9 essentially, like a Consumer Price Index
10 inflation rate.

11 Q Okay.

12 A (Pentz) So, about two percent a year.

13 Q All right. So, give me the 2018.

14 A (Pentz) The 2018 ACPs, for Class I nonthermal,
15 is \$56.54. For Class I thermal, it is \$25.69.

16 Q So, it looks like maybe use the ACP for Class I
17 thermal?

18 A (Pentz) Yes. And, you know, these classes
19 do -- they have different characteristics.
20 Class I thermal happens to be very
21 undersupplied. So, that one we trade near the
22 ACP.

23 Q Okay.

24 A (Pentz) You know, Class I is very different.

1 It's a regional market.

2 Q Yes.

3 A (Pentz) Right.

4 Q Class II?

5 A (Pentz) \$56.54.

6 Q And Class III?

7 A (Pentz) \$55.

8 Q And Class IV?

9 A (Pentz) \$28. And Class IV is similar to Class
10 I thermal, typically undersupplied. Of course,
11 it depends on how much it rains, because these
12 are hydro facilities. So, --

13 Q Okay.

14 A (Pentz) Yes.

15 Q Thanks. I think that, Ms. McNamara, we've
16 talked about this before, but maybe not with
17 Mr. Pentz. But you know that some of the
18 utilities split the winter period to smooth out
19 the difference between the summer prices and
20 the winter prices, which are pretty noticeable
21 in this filing. I mean, I understand that,
22 compared to the same period last year, this is
23 a decrease in rates. But, compared to the
24 rates that are in effect right now, it's a

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1 pretty big bump. That's subjective, I guess,
2 28 percent higher than the summer period.

3 Have you looked at your rates and compared
4 them to the rates of the other two utilities
5 who split the winter month periods over time?

6 A (McNamara) Yes. The Company looks at that
7 every six months, when the rates are,
8 obviously, ours are calculated, and then, in
9 approximately two months I suppose Liberty and
10 Eversource will be available.

11 Q So, what have you learned from that analysis?

12 A (McNamara) Last winter was harsh. Up until
13 that time, being a customer of Unitil, you
14 actually fared off slightly better, not much.
15 Yes, there were more ups and downs. As you
16 observed, it's smoother using the other
17 six-month period. But, pricewise, it really
18 didn't make that much difference. Compared to
19 Eversource, Unitil's prices are still, again,
20 up and down, but still much better.

21 CMSR. BAILEY: Okay. Commissioner
22 Giaimo.

23 BY CMSR. GIAIMO:

24 Q When does Fitchburg go out for its default

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1 service, or I guess they call it "standard
2 offer"?

3 A (McNamara) I believe a filing was just made.
4 Maybe Mr. Pentz could --

5 A (Pentz) Yes. We issue the RFPs for Fitchburg
6 and UES at the same time. So, the filings are
7 made on the same day, RFPs are issued on the
8 same day.

9 Q Right. So, getting to I think where
10 Commissioner Bailey was going, it sounds like
11 the Company thinks it makes sense to do it at
12 the same time?

13 A (Pentz) Yes. For efficiency purposes, yes.

14 BY CMSR. BAILEY:

15 Q Ms. McNamara, I just want to follow up on the
16 RPS question about the over-collection. Can
17 you look at Page 189? I think you said there
18 was a "\$2 million reconciliation". And it
19 looks like, on Page 189, the reconciliation is
20 \$1 million, and the cost that you expect to pay
21 for RPS compliance is 2 million?

22 A (McNamara) That's right. This is just the six
23 months for this period. So, because the
24 Company reconciles in its summer filing for the

1 one -- once a year, it splits the
2 over-collection, in this case over-collection,
3 I'll say "in half". It's based on purchases,
4 estimated purchases, but it's more or less
5 half.

6 Q Okay. So, the cost of the REC compliance is
7 about \$4 million a year, and the
8 over-collection for the past 12 months was
9 about \$2 million?

10 A (McNamara) I can't just say "yes".

11 Q Okay.

12 A (McNamara) Because the \$2 million that you're
13 referring to on Line 2 is forward-looking, and
14 the \$1 million on Line 1 is backward-looking.

15 Q Okay.

16 A (McNamara) So, I don't know how much the RPS
17 requirement was for 2017/2018.

18 CMSR. BAILEY: Okay. All right.

19 Thanks. All right. I think that's all I have.

20 Mr. Epler, do you have any redirect?

21 MR. EPLER: Yes.

22 **REDIRECT EXAMINATION**

23 BY MR. EPLER:

24 Q Mr. Pentz, if you recall, you were asked a

[WITNESS PANEL: McNamara|Pentz]

1 question regarding the Company's not having
2 reached an agreement with Wheelabrator, that
3 was a question from the Consumer Advocate. And
4 is it correct that the RFP to Wheelabrator
5 required a response by September 6th?

6 A (Pentz) Yes. That is correct.

7 Q And we did -- and the Company did not receive a
8 response by that date, is that correct?

9 A (Pentz) That is correct.

10 Q And, so, that's the reason why the Company did
11 not enter into an agreement with Wheelabrator,
12 because they -- is it correct that the Company
13 did not reach an agreement with Wheelabrator,
14 because they failed to offer a response to the
15 RFP within the requested timeframe?

16 A (Pentz) Yes. That is correct.

17 Q Okay. Thank you. And, then, it was subsequent
18 to that that the FERC issued its decision on
19 the issue that you referenced?

20 A (Pentz) Yes.

21 Q Okay. And that gives an additional reason for
22 the Company to certainly hesitate to enter into
23 such a contract?

24 A (Pentz) Certainly, yes.

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1 MR. EPLER: Thank you. Could I go
2 off the record for a minute and approach the
3 witness?

4 CMSR. BAILEY: Sure.

5 MR. EPLER: Thank you.

6 *(Atty. Epler conferring with*
7 *Witness McNamara and Witness*
8 *Pentz.)*

9 MR. EPLER: Thank you, Commissioners.
10 That's all the questions I had.

11 CMSR. BAILEY: All right. Thank you.

12 Okay. Are there any objections to
13 striking ID on Exhibits 3 through 7?

14 *[No verbal response.]*

15 CMSR. BAILEY: Okay. No objections,
16 we'll mark those for identification *[sic]*.

17 Is there any reason to save an
18 exhibit number for the record request? I
19 think, as long as they file it in the docket,
20 it should suffice?

21 MR. KREIS: Indeed.

22 CMSR. BAILEY: Okay. Perfect. All
23 right.

24 Well, I guess that leaves closing

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1 statements. And you can stay where you are, I
2 don't think it will take too long.

3 Mr. Kreis.

4 MR. KREIS: Thank you for the
5 opportunity to go first. I have two things to
6 say.

7 Number one, the Commission should, in
8 its order in this docket, direct Unitil to
9 conduct no further solicitations pursuant to
10 RSA 362-H. The Federal Energy Regulatory
11 Commission has declared that RSA 362-H is
12 preempted by the Federal Power Act, and
13 therefore that statute should have no further
14 force and effect, and there should be no
15 further RSA 362-H solicitations.

16 That suggestion notwithstanding,
17 overall, I think that all of the requests for
18 approvals that are laid out in the Company's
19 Petition at Bates Pages 008 and 009 are
20 reasonable. The Commission should approve the
21 results of the solicitation that we've heard
22 about today, and determine that the resulting
23 rates are just and reasonable.

24 And I think that's all I have to say.

1 CMSR. BAILEY: Thank you. Ms. Ross.

2 MS. ROSS: And the Staff would echo
3 that recommendation. The Company has followed
4 the competitive process that has been approved
5 in prior Commission orders.

6 The resulting rates appear to be
7 market-based, and Staff believes that the
8 resulting rates are just and reasonable, and
9 recommends that the Commission approve them.

10 CMSR. BAILEY: Mr. Epler.

11 MR. EPLER: Thank you, Commissioners.
12 So as to not to belabor the record, I'll just
13 point the Commission to the request for
14 approvals in the Company's Petition.

15 Thank you.

16 CMSR. BAILEY: All right. Thank you.

17 Okay. With that, we'll close the
18 record, take the matter under advisement, and
19 issue an order hopefully in two days. Thank
20 you.

21 MR. EPLER: Thank you very much.

22 **(Whereupon the hearing was**
23 **adjourned at 2:57 p.m.)**

24