

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-054

UNITIL ENERGY SYSTEMS, INC.

2023 Schedule for Default Service

Order Approving Petition for February 1, 2024 to July 31, 2024 Rates

ORDER NO. 26,910

December 8, 2023

This order authorizes UES to recover the costs of power supply through energy service rates¹ for effect for the six-month period of February 1, 2024, through July 31, 2024. The table below summarizes the updated, reduced rate of 10.718 cents per kilowatt hour (kWh) to be charged to UES Small Customer Group (Residential, Rate “D”) customers on Default Service for these six months. This rate includes a charge of 0.577 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. The RPS costs represent approximately 5.4 percent of the power supply charges for residential customers. This order also requires UES to prepare a filing to the Commission delineating how it will accommodate an ISO-New England market-based procurement component for its upcoming August 2024-January 2025 energy service.

UES Residential (Rate “D”) Rates

	Effective Date	Power Supply Charge	RPS	Total kWh Charge
Prior Year Rate ²	12/1/2022	\$0.25397	\$0.00528	\$0.33652
Current Rate	8/1/2023	\$0.12687	\$0.00570	\$0.13257
Proposed Rate	2/1/2024	\$0.10141	\$0.00577	\$0.10718

¹ Bills for customers on default service are composed of three parts: power supply, transmission, and distribution. The energy service rates for default service customers refer to the power supply component only.

² UES moved to a February 1 to July 31, and August 1 to January 31, energy service schedule starting in 2023. Prior to this, UES was on a December 1 to May 31, and June 1 to November 30, energy service schedule. See Commission Order No. 26,694 (Sept. 30, 2022) in Docket No. DE 22-017.

For a residential customer using 650 kWh per month, the result will be a decrease in the monthly bill from \$167.22 to \$150.72 or about \$16.50 (9.9 percent) less, compared to the six-month period ending January 31, 2024.

The Commission does not administratively set the prices offered by wholesale electricity suppliers operating in the regional ISO-New England market to UES for serving UES's energy service load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where UES endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. BACKGROUND AND POSITIONS

On December 1, 2023, Unitil Energy Systems, Inc. (UES, or the Company) filed a petition requesting approval of its solicitation and procurement of energy service for: (1) residential (Rate D) customers, or, "small customers"; (2) small commercial (Rate G2) and outdoor lighting (Rate OL) customers, or, collectively, "medium customers"; and (3) large commercial and industrial (Rate G1) customers, or, "large 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 February 1, 2024 through July 31, 2024. UES selected Constellation Energy Generation, LLC (CEG) as the winning bidder for the residential and small commercial/outdoor lighting customer group contracts, *i.e.*, the small and medium customer groups, and NextEra Energy Marketing, LLC (NextEra) for the G1 large commercial and industrial customer group.

UES 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, the most

recent being Order No. 26,694 (September 30, 2022). With its petition, UES filed the testimony of Jeffrey M. Pentz, Senior Energy Analyst and Linda S. McNamara, Senior Regulatory Analyst, both of whom are personnel with Unitil Service Corp., UES's service-company affiliate.

Certain schedules included in the Company's filings contain information that UES claims is confidential pursuant to New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07. This material includes the Company's bid evaluation and summary information, renewable energy certificate pricing, and other confidential pricing terms. For this solicitation, the Commission issued, at the Company's request, a procedural order scheduling a hearing for December 6, 2023, under the auspices of the Commission's Commencement of Adjudicative Proceeding and Notice of Hearing Order issued on May 25, 2023. The OCA had filed its letter of participation on May 22, 2023, during an earlier phase of this proceeding. *See* Order No. 26,850 (June 16, 2023). The hearing was held on December 6, 2023 as scheduled, where the Company, the OCA, and the DOE appeared; Mr. Pentz and Ms. McNamara provided additional oral testimony in support of the Company's petition. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

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

<https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-054.html>

On October 31, 2023, as described in the testimony of Mr. Pentz, UES issued requests for proposals (RFPs) for energy service for its small, medium, and large customer groups for the period February 1, 2024, through July 31, 2024. On November 14, 2023, UES received indicative proposals that included detailed

background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. UES received final bids on November 28, 2023. UES said it evaluated bids on both quantitative and qualitative criteria, including price, creditworthiness, extension of adequate credit to UES 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 bidders.

UES selected CEG as the winning bidder for the small customer (Non-G1) supply requirement (100% share) and medium customer (Non-G1) supply requirement, (100% share), and NextEra as the winning bidder for the large customer (G1) supply requirement (100% share). All three transactions are for a period of six months, commencing on February 1, 2024, and ending on July 31, 2024. With respect to the supply requirements, UES believes that CEG and NextEra each offered the best overall value in terms of price and non-price considerations for their respective supply requirement shares. Schedule JMP-1 of UES's filing contains a more detailed description of the bid evaluation process. See Hearing Exhibit 5, Schedule JMP-1.

The Company also attached to Mr. Pentz's testimony the standard PSA and redlined versions of the final PSA's with the winning bidders. Mr. Pentz testified on behalf of the Company 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 six-month period, is about 21.5 percent lower than in the current August 2023 to January 2024 default service period. Hearing Exhibit 5, Pentz Testimony, JMP-1, Page 7 of 10. UES suggested that one factor contributing to the decrease in prices is reduced volatility in the global natural gas market, particularly since natural gas is predominately the marginal cost fuel for power generation in New England. *Id.*

UES included a RPS compliance adder with power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which UES 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), where one REC represents one megawatt hour of power produced by a qualified renewable generation source. UES issues an RFP twice a year to obtain RECs. UES planned to issue an RFP in the fall of 2023 for the remainder of the Company's 2023 RPS requirements and approximately half of its 2024 requirements. Hearing Exhibit 5, Pentz Testimony, JMP-1 at Page 9 of 10. Effective with rates on February 1, 2024, the RPS compliance adder will be 0.577 cents per kWh for the small and medium customer groups. For the G1/large customer group, the RPS adder will be 0.700 cents per kWh for February 2024 through July 2024. UES 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.

As outlined in the testimony of Ms. McNamara, based on the process offered by the winning bidders, UES calculated the fixed rate for the energy component of the Company's residential rate to be 10.141 cents per kWh, and the fixed rate for the energy component of the Company's small commercial and outdoor lighting rates to be 9.461 cents per kWh. Hearing Exhibit 5, McNamara Testimony, LSM-1, at Page 4 of 15. The resulting energy service rate after adding the RPS charge for residential customers is 10.718 cents per kWh, which will result in a decrease of approximately 9.9 percent in monthly bills for customers using 650 kWh per month from rates currently in effect. Hearing Exhibit 5, Schedule LSM-8, Page 1 of 12. Among the medium customer groups, the energy service fixed rate for small commercial

customers will be 10.038 cents per kWh, resulting in a decrease to bills similar to that expected for residential customers. *Id.*

UES provided information indicating that expected bill impacts for G1/large customers are unknown because, in the upcoming six-month period, the power supply charge component of G1 customer bills will be determined monthly based on market prices. Hearing Exhibit 5, McNamara Testimony, LSM-1, at Pages 9 and 10 of 15. UES requested that the Commission approve its filing and allow the costs associated with the power supply agreements to be recovered through rates. UES also requested that the price estimates of RECs be included in retail rates. The Company also submitted Tariff changes related to this energy service proposal for the Commission's review, and requested approval of same.

UES further indicated, in the testimony of Ms. McNamara, that the calculation of working capital applied to the power supply and RPS charges used in this petition rely on the results of the 2022 Default Service and Renewable Energy Credits Lead Lag Study, which had been approved by the Commission in an earlier phase of this proceeding, subject to reconciliation. *See* Order No. 26,850 at 8 and 10.

Mr. Pentz and Ms. McNamara of the Company provided oral testimony at the December 6, 2023 hearing to elaborate on the matters discussed in UES's pre-filed testimony. In particular, Mr. Pentz provided some qualitative narrative regarding the recent market elements driving pricing outcomes for the Company's solicitation for this upcoming Default Service period. Mr. Pentz indicated that ongoing moderation of the natural gas markets in New England were a prime driver in the lower prices made available for wholesale power-requirements contracts by bidders, including the winning bidders, CEG and NextEra.

Mr. Pentz also provided a series of responses to Commissioner questions regarding the issue of the Company potentially adding a tranche of energy service supply through acquisitions in the ISO-New England Day-Ahead and Real-Time energy markets, which the Commission had invited UES to do through the terms of Order No. 26,850. Mr. Pentz confirmed, as presented in his written testimony, that UES had not elected to include such a market-based tranche, on the basis that the Company thought proceeding with such an approach would be “imprudent” with the current pendency of the DOE Investigative Proceeding Relative to Default Energy Procurement, DOE Docket No. INV 2023-001. The Commission probed this UES assertion further with Mr. Pentz, especially in light of the Commission’s own investigative findings in Docket No. IR 22-053, which indicated a significantly higher pricing level for the wholesale requirements contracts entered into by New Hampshire’s electric utilities, as compared with the monthly average market prices in the ISO-New England market over time. (UES has also submitted, as part of the ordering requirements of Order No. 26,850, data for the months of August and September 2023 showing that the Company’s requirements-contract prices for energy service were higher than the ISO-New England market prices for each month by a factor of approximately 1.5 to 2. The Company has not yet timely filed data for the month of October 2023). Mr. Pentz stated that he was not in a position to commit the Company to a course of action regarding ISO-New England market-based energy procurements, but did state that while the Company, through the recent operations of its Massachusetts affiliate, Fitchburg Gas and Electric (discussed at length in Order No. 26,850), had experience operating in the Real-Time ISO-New England market, it did not have experience with operations in the Day-Ahead ISO-New England market.

In its closing statement, UES requested that the Commission approve the rates submitted in this instant petition as just and reasonable.

The DOE, on December 5, 2023, filed a Technical Statement of Mr. Stephen R. Eckberg, stating to the Commission that the DOE supported the methodology of the Company's 2022 Default Service and Renewable Energy Credits Lead Lag Study, as reasonable and accurate, and recommended that the Commission approve it as filed. Hearing Exhibit 7. DOE, in response to Commissioner questioning, was not able to provide an exact timeline for the expected filing date for its Investigation Report in DOE Docket No. INV 2023-001, but stated that the Investigation was a key DOE priority. DOE, in its closing statement made at hearing, advised that it supported approval of UES's petition as presenting Default Service rates that were market-based, just, and reasonable, and in conformity with the requirements of the relevant laws and Commission Orders governing the process.

The OCA stated at hearing that it had no objections to the Company's petition. The OCA also stated it would give some internal consideration to the question of market competitiveness in the wholesale energy supply market in which New Hampshire's electric utilities operate.

II. COMMISSION ANALYSIS

We find that UES's solicitation and bid evaluation process conform with Order No. 24,511, as modified, for the procurement of power supply for customers taking energy service from UES. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based and just and reasonable. We find UES's selection of CES and NextEra to provide power supply for the three (small, medium, and large) customer groups to be consistent with prior Commission orders. We also find UES's price estimates of RECs, which are reconciled annually, are appropriate and we approve the

price estimates for inclusion in retail rates effective February 1, 2024. We also continue to endorse, in light of the DOE's Technical Statement, the Company's 2022 Default Service and Renewable Energy Credits Lead Lag Study used in the calculation of the working capital requirements for this Default Service filing, subject to the proviso that they are subject to reconciliation on any further review by DOE, the Commission, and the Company itself. We appreciate the DOE's provision of the results of its analytical review of the Lead-Lag Study through its Technical Statement filed in this proceeding. We will also approve the related, proposed Tariff changes presented by UES as just and reasonable, for effect on February 1, 2024.

The Commission again notes that though we have not had regulatory authority over power generation since New Hampshire's utilities divested their interests in generation/power supply assets, the Commission has the ability to oversee the procurement process, to ensure robust competition and therefore help lowering default service prices. In light of the empirical data developed through IR 22-053, and the monthly data being submitted by the Company in this docket, the Commission believes that the time is right to develop an ISO-New England market-based component for energy service procurement for UES's small and medium customer groups. To that end, we order UES to develop a proposal, for submission to the Commission no later than January 22, 2024, for an ISO-New England market-based procurement tranche of 10 to 20 percent, through whatever combination of direct Day-Ahead and Real-Time ISO-New England market acquisitions the Company finds advisable, for the Company's upcoming August 2024-January 2025 energy service period for the Company's small and medium customer groups. This proposal would be assessed by the Commission in a future phase of this proceeding upon submission by the Company.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by UES with Constellation Energy Generation, LLC for 100 percent of power supply requirements for Small and Medium (Non-G1) customers; and NextEra Energy Marketing, LLC for 100 percent of power supply requirements for Large G1 customers, all for the six-month period beginning February 1, 2024, are hereby APPROVED; and it is

FURTHER ORDERED, that UES's request to recover the costs of the power supply agreements through rates effective with services rendered on and after February 1, 2024, through July 31, 2024, is hereby APPROVED; and it is

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

FURTHER ORDERED, that UES remains authorized to use the results of the updated 2022 lead/lag study in the calculation of rates, subject to any reconciliation; and it is


FURTHER ORDERED, that the ancillary related Tariff changes requested by UES in this proceeding are hereby APPROVED, for effect on February 1, 2024; and it is

FURTHER ORDERED, that UES shall file with the Commission, no later than January 22, 2024, a proposal for an ISO-New England market-based procurement tranche of 10 to 20 percent, through whatever combination of direct Day-Ahead and Real-Time ISO-New England market acquisitions the Company finds advisable, for the Company's upcoming August 2024-January 2025 energy service period for its small and medium customer groups, to be assessed by the Commission in a future phase of this proceeding; and it is

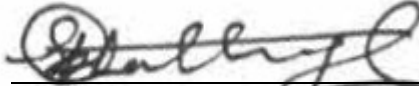
FURTHER ORDERED, that UES, for this upcoming default service rate period, is to continue to file, by the 30th day of the following month, a summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for UES's Small and Medium customer groups, as delineated in the Commission's procedural orders issued in this Docket; and it is

FURTHER ORDERED, that UES 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 eighth day of December, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket#: 23-054

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