

STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
d/b/a Eversource Energy

Docket No. DE 21-077

2021 Energy Service Solicitation

DIRECT TESTIMONY OF
JAMES G. DALY, JAMES R. SHUCKEROW, and FREDERICK B. WHITE

1 **I. INTRODUCTION**

2 **Q. Please state your name.**

3 A. My name is James G. Daly.

4 **Q. Mr. Daly, please provide your business address and title.**

5 A. My business address is 247 Station Drive, Westwood, Massachusetts. I am the Vice President,
6 Energy Supply for Eversource Energy Service Company.

7 **Q. Mr. Daly, please describe your responsibilities at Eversource Energy.**

8 A. In my position as Vice President, Energy Supply, my responsibilities include procurement of
9 electric and natural gas supplies for Eversource Energy customers in Connecticut, Massachusetts,
10 and New Hampshire. Also, Renewable Portfolio Standards ("RPS") compliance obligations and
11 Renewable Energy Certificate ("REC") purchases and sales activities in all three states are
12 conducted within my organization.

13 **Q. Please state your name.**

14 A. My name is James R. Shuckerow.

15 **Q. Mr. Shuckerow, please provide your business address and title.**

16 A. My business address is 107 Selden Street, Berlin, Connecticut. I am the Director, Electric Supply
17 for Eversource Energy Service Company.

1 **Q. Mr. Shuckerow, please describe your responsibilities at Eversource Energy.**

2 A. In my position as Director, Electric Supply, my responsibilities include procurement of wholesale
3 power supply contracts for Eversource Energy customers in Connecticut, Massachusetts, and
4 New Hampshire who have not selected retail power supply, and I oversee RPS compliance
5 obligations and REC purchases and sales activities in all three states.

6 **Q. Please state your name.**

7 A. My name is Frederick B. White.

8 **Q. Mr. White, please provide your business address and title.**

9 A. My business address is 107 Selden St, Berlin, Connecticut. I am a Supervisor in the Electric
10 Supply department of Eversource Energy Service Company.

11 **Q. Mr. White, please describe your responsibilities at Eversource Energy.**

12 A. I supervise and provide analytical support required to fulfill the power supply requirement
13 obligations of Public Service of New Hampshire, d/b/a Eversource Energy (“Eversource” or the
14 “Company”), including conducting solicitations for the competitive procurement of power for
15 Energy Service (at times referred to herein as “ES”) and for fulfilling RPS obligations. I am also
16 responsible for on-going activities associated with independent power producers and purchase
17 power agreements.

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of our testimony is to support the Company’s request for Commission approval of
20 recovery of all 2020 RPS expenses incurred, including the \$1.6 million recommended by
21 Department of Energy (“DOE”) Staff for disallowance in its recommended reconciliation
22 adjustment letter to the Commission, dated September 20, 2021, and filed in the instant docket.

23 **Q. What authority created the present structure and process for Renewable Energy Credit
24 procurement to achieve RPS compliance for default energy service customers?**

25 A. Following the divestiture of its generation facilities, consistent with the 2015 PSNH Restructuring
26 and Rate Stabilization Agreement approved by Commission Order No. 25,290, Eversource filed a
27 petition and supporting testimony with the Commission seeking approval of a proposal for
28 procuring and providing Energy Service to customers on a competitive basis, rather than through
29 its previous paradigm of a managed portfolio with owned generation resources. This filing

1 initiated Docket No. DE 17-113, “Petition for Approval of Energy Service Supply Proposal.”
2 Following discussions among the parties, a Settlement Agreement was reached which described
3 the method of and timing for Eversource’s transition to competitively procured Energy Service,
4 and also reaffirmed the responsibility for Eversource to meet RPS obligations for ES customers in
5 a manner consistent with Commission precedent for other regulated electric utilities in New
6 Hampshire, i.e. – manage its RPS needs outside of the Energy Service RFP process. That
7 Settlement Agreement was approved by Order No. 26,092 (December 29, 2017).

8 **Q. What were the factors that led to the RPS obligations being managed by Eversource versus**
9 **the wholesale supplier of Energy Service?**

10 A. During initial discussions regarding competitively sourced power supply, Eversource proposed
11 that RPS obligations be included with the procurement of power supply such that RPS obligations
12 would be the responsibility of competitive wholesale suppliers. At that time Commission Staff
13 expressed its preference that RPS obligations be managed by the Company because that was the
14 approach being used by the other regulated utilities in New Hampshire for many years and it
15 preferred that the same approach be used by Eversource, primarily for the sake of consistency.
16 Eversource recognized some inherent risk in this approach and expressed its concern during
17 Docket No. DE 17-113 proceedings where, in filed testimony the Company stated, *“With regard*
18 *to RPS compliance obligations, Eversource would manage its RPS needs outside of the ES RFP*
19 *process. Eversource would establish the “RPS” rate based on publicly available, current market*
20 *price information (daily broker quotation sheets) and Renewable Energy Certificates (“REC”)*
21 *class percentage requirements as of the time the rate setting filing is being prepared. Fulfillment*
22 *of required quantities would be accomplished through the issuance of RFPs or purchases either*
23 *directly from producers or through the bilateral market, in the same manner as how it is*
24 *accomplished today for current ES customers. If the Commission approves this process of*
25 *separate management of RPS obligations, the Company understands that the process as*
26 *described above would be “pre-approved,” and the recovery of resulting costs will not be subject*
27 *to further prudence review.”* June 29, 2017 testimony of Shuckerow, White and Goulding in
28 Docket No. DE 17-113 at Bates 17. Ultimately, the Settlement Agreement stated that
29 “Eversource will manage its RPS obligation in a manner consistent with Commission precedent
30 for other regulated utilities in New Hampshire.” See Settlement Agreement in Docket No. DE
31 17-113, Section II, H, page 7. Eversource has met this management obligation consistently with
32 its existing REC purchasing process.

Q. What are the general obligations for compliance with RPS regulations?

A. New Hampshire's RPS statute, RSA chapter 362-F, requires each electricity provider to meet customer load by purchasing or acquiring certificates representing generation from renewable energy based on total megawatt-hours supplied. New Hampshire's RPS statute divides renewable energy sources into four separate classes, plus one subset. A renewable energy certificate represents 1 megawatt-hour of electricity produced from eligible renewable energy sources and may be sold separately from the associated electricity. If the electricity providers are not able to meet the RPS requirements by purchasing or acquiring renewable energy certificates, they must pay Alternative Compliance Payments ("ACPs"). Here is a brief description of the RPS classes:

Class I – New Renewable Energy that began operation after 1/1/06.

Class I Thermal – Useful Thermal Energy that began operation after 1/1/13.

Class II – New Solar Energy that began operation after 1/1/06.

Class III – Existing Biomass/Methane less than 25 MW that began operation before 1/1/06.

Class IV – Existing Small Hydroelectric up to 5 MW that began operation before 1/1/06. See Attachment 1 showing the volume obligations and ACPs for the various RPS classes over time.

Q. Are there additional factors affecting the management of RPS compliance obligations beyond the general requirements discussed above?

A. Yes. RECs have a carry-forward flexibility that exists for entities with RPS obligations. RECs purchased may be used for compliance in two subsequent compliance years, by class, in quantities not to exceed 30% of a compliance year's volume obligation for that class. RPS Class obligation volumes as well as ACP rates can be modified from existing levels through passage of new legislation, and the New Hampshire legislature has adjusted those from time to time. Likewise, the New Hampshire Public Utilities Commission ("Commission") has the authority, which it has used, to adjust volume obligations, including after the calendar year has ended. Additionally, for Classes I and II, net metering credits lower volume obligations and may not be known until after the calendar year has ended. These variable factors complicate least cost compliance due to uncertainties regarding REC prices, quantity obligations, and the prices of ACPs.

Q. Have there been adjustments made after the originally legislated volume and price parameters were established?

A. Yes. Attachment 1 shows in two tables, annual histories by RPS Class, for: 1) Volume Obligations; and 2) Alternative Compliance Payment Rates. As can be seen, the progression

1 from year-to-year for Class III RECs has been less predictable than the other classes. These
2 changes are the result of legislative and/or Commission directed adjustments, as described
3 above.¹ For example, the 2% volume obligation for Class III in 2020, adjusted downward from
4 8%, was directed by the Commission in April 2021. *See* Order No. 26,472 (April 20, 2021) in
5 Docket No. DE 21-037. This is just two months before the June 16, 2021 trading deadline to
6 fulfill 2020 RPS requirements. Such a late change in the Class III 2020 requirement resulted in
7 12,930 of REC over-purchases by Eversource, and potentially over-purchases by others who had
8 relied upon the higher volume obligation as well. Also, the ACPs for Class III in 2015 through
9 2019 were legislatively changed from the Consumer Price Index (“CPI”) escalated price path
10 originally established in RSA 362-F:10, to the fixed prices shown. For compliance years 2017-
11 2019, the ACP was set at \$55.00. During compliance year 2020, HB 1234, passed by both houses
12 in July 2020, would have changed the 2020 Class III ACP value to \$55, as had been done in the
13 prior three years. The change to \$55 for the 2020 Class III ACP was vetoed by the Governor on
14 July 28, 2020, which was ultimately upheld in September 2020. This veto not only applied to the
15 Class III ACP, but also to the 40 additional myriad items included in the omnibus bill such as
16 qualifications of the banking department commissioner and deputy commissioner, the state
17 building and fire codes, information technology, the Uniform Disclaimer of Property Interests
18 Act, the lakes region development authority, the meals and rooms tax, and other items.

19 **Q. Has the process utilized by Eversource for RPS compliance resulted in customer savings for**
20 **those customers taking Energy Service?**

21 A. Yes. Eversource’s approach to REC purchases for RPS compliance on behalf of ES customers
22 has saved customers over \$20 million in the years of 2017 through 2020 when compared to
23 ACPs. These savings include the \$1.6 million over the 2020 ACP associated with the Class III
24 purchases challenged by the DOE Staff. These are substantial, realized savings that would not
25 have occurred but for the proactive efforts by Eversource to reduce costs for the customers
26 choosing to receive energy service from Eversource.

27 **Q. Please discuss more fully the over \$20 million in savings mentioned previously.**

28 A. Please see Attachment 2, which summarizes for 2017 through 2020, by RPS Class, the derivation
29 of volume obligations, the sources of RECs used and retired for compliance, obligations met by

¹ Aside from simply adjusting the obligation volumes and ACP rates, there are other potential changes that can impact the compliance obligation. As an example, last legislative session a bill was introduced, HB 614, that would exempt the state and its political subdivisions from paying the costs of the RPS. That bill has been retained in committee for now, and may be brought forward again.

1 making alternative compliance payments, and the RECs carried forward to be used for
2 compliance in future years. These first several columns (all but the last column) outline how the
3 various rules and regulations and adjustments manifest in actual compliance scenarios. The last
4 column summarizes the resulting dollar savings of actual incurred RPS compliance costs
5 compared to what the costs would have been utilizing ACPs, and shows at the bottom of that
6 column the four-year total of \$20,157,154 of savings, excluding the Class I line items. This
7 figure includes the costs at issue here in the amount attributable for 2020 compliance (\$1.3
8 million) - the remainder of the \$1.6 million, or approximately \$300 thousand, will be recognized
9 when the 12,930 surplus Class III RECs are used for 2021 compliance. Class I is excluded
10 because those RECs are acquired from must-take purchases under purchase power agreements at
11 prices fixed by the contracts and are not part of the Eversource REC purchasing processes
12 described herein. The savings are substantial for Class III, less so for the other classes, and
13 represent the results of Eversource's proactive efforts.

14 **Q. Could you describe Eversource's strategy and process for purchasing RECs for a given**
15 **compliance year?**

16 A. Eversource seeks to fulfill its RPS obligations through periodic procurements of RECs with the
17 expectation that judgment on timing and market price movements do not determine the ultimate
18 cost to comply with the RPS. This approach is similar to using Dollar Cost Averaging in making
19 financial investments to avoid market volatility, and conceptually similar to "laddering"
20 wholesale power supply procurements, which is utilized by the Company's Massachusetts and
21 Connecticut affiliates for their power supply contracts. The process utilized by Eversource for
22 RPS compliance has been employed for the Company's ES customers in New Hampshire over
23 many years and also utilized by Eversource's Massachusetts affiliated companies. Eversource's
24 Connecticut affiliated company assigns Connecticut RPS requirements directly to the wholesale
25 suppliers. Eversource in New Hampshire fulfills RPS requirements through REC purchases from
26 the issuance of periodic RFPs, through purchases directly from producers, or through the bilateral
27 market. This approach has been utilized for many years, even prior to divestiture, as explained
28 and exhibited within many rate and reconciliation proceedings.

29 **Q. And was Eversource's approach for REC purchases in compliance year 2020 consistent**
30 **with this process?**

31 A. Yes, for compliance year 2020, RPS compliance was approached utilizing this same process.
32 Energy Service sales are approximately 50% of total Eversource distribution sales. Eversource

1 purchased Classes I Thermal, II, III, and IV RECs via an RFP in mid-July 2020 as its initial entry
2 into the 2020 compliance year. Eversource intended to purchase approximately 30% of its
3 expected annual requirements. These purchases were viewed as the first in a series of purchases
4 to be made periodically over the compliance period, thereby dollar-cost averaging these REC
5 purchases, and not as attempts to “time the market.”

6 The July 2020 RFP resulted in Eversource purchasing 84,500 Class III RECs from two separate
7 suppliers at then current market prices (within a \$6 range across 7 tranches), reflecting the then
8 current “market view.” Eversource declined to purchase an additional 30,500 higher priced Class
9 III RECs in two additional tranches offered from one of the suppliers, because 84,500 RECs
10 represented 30% of Eversource’s then projected annual requirement, and the Company wanted to
11 leave room to dollar-cost average over a longer time frame with subsequent periodic purchases.
12 As described previously, on July 1, 2020, prior to conducting the RFP, legislation (HB 1234) had
13 passed revising the 2020 Class III ACP to \$55/REC (rather than the originally legislated 2020
14 value of \$34.54/REC) as had happened in 2017, 2018, and 2019. HB 1234 was viewed by
15 Eversource as recurring, routine, legislative activity consistent with prior legislation, and the REC
16 market reflected the same view as evidenced by the market prices for RECs that were supplied in
17 response to Eversource’s RFP. Eversource consummated transactions under the RFP on July 15,
18 2020. Upon the Governor’s veto on July 28, 2020, which was ultimately upheld, the anticipated
19 ACP for 2020 NH Class III was set at \$34.54, resulting in the payment of \$1.6 million over the
20 ACP price of \$34.54. It is not surprising, given the passage of HB 1234, similar to legislative
21 action taken in the previous five years, that the market held the view that the then current market
22 value of Class III RECs was in the low \$50 price range.

23 **Q. Why was the purchase of RECs over the ACP price totaling \$1.6 million a prudent**
24 **purchase despite being over the applicable ACP price?**

25 A. We understand prudence in the utility context to be a measure of whether a particular decision
26 was reasonable under the circumstances at the time it was made. Purchases at market prices are
27 simply purchases; they are not good or bad and they are not per se imprudent. A competitive
28 solicitation at a given point in time incorporates the collective wisdom of the market in light of
29 the available information, thus setting prices. That is the price at which Eversource transacted.
30 That other events occurred at varying points in time does not negate that Eversource acted
31 reasonably in transacting at then current market prices. Based upon its testimony in Docket No.
32 DE 17-113, Eversource understands that purchasing RECs in this manner is consistent with the

1 settlement agreement in Docket No. DE 17-113 and the Commission's requirements, to meet the
2 RPS obligations of ES customers.

3 **Q. Why should the Commission allow recovery for purchases over the ACP price?**

4 A. Eversource has followed a process which has in fact saved customers tens of millions of dollars
5 over time. Also, while saving millions of dollars for customers, Eversource's proactive REC
6 purchasing has not resulted in any benefit to Eversource – all benefits are passed to customers. If
7 there is no recognition of the overall benefits realized by customers, it disincentivizes proactive
8 efforts and encourages simply meeting obligations utilizing ACPs. Meeting REC obligations in
9 this manner will result in additional costs to customers.

10 The Company's concern is that a process with demonstrated success over years is now being
11 questioned and the resulting costs are at risk of being disallowed. Disallowing these costs reveals
12 pronounced risk and regulatory uncertainty for the Company and fails to recognize actual and
13 substantial savings generated for customers. The Company exercised reasonable judgment in
14 light of the information available at the time and made prudent purchases amidst the legislative
15 and regulatory risks that inherently exist in the New Hampshire RPS market, particularly in the
16 Class III RECs market, which is subject to frequent and substantial adjustments of both REC
17 volume and ACP price. Eversource has borne those risks and created substantial benefits which
18 flowed directly to Energy Service customers. Disallowance of cost recovery amounts within this
19 paradigm fails to properly recognize those risks.

20 Eversource has been proactive in the procurement of RECs to meet default Energy Service
21 customers' RPS requirements with the goal of creating savings for customers. This proactive
22 effort has benefited default Energy Service customers by over \$20 million from 2017 through
23 2020. With a proactive effort, there is the potential that not every REC purchase will end up
24 being beneficial to customers, especially with the uncertainty that exists regarding final REC
25 volume requirements and ACP prices. As such, rather than penalizing Eversource for individual
26 REC purchase results, the Commission should consider the totality of RPS compliance benefits
27 and savings Eversource has created for its Energy Service customers.

1 **Q. If the Commission does disallow the \$1.6 million in above-ACP purchases, what does the**
2 **Company request?**

3 A. In addition to reserving all rights pursuant to any regulatory order, should the Commission
4 disallow the challenged costs, the company requests to include RPS compliance obligations in its
5 procurement of wholesale power supply, thereby shifting RPS compliance obligations to
6 competitive suppliers and relieving the Company of downside-only risks that such a disallowance
7 would bestow. Over \$50 million in RPS compliance costs were managed by the Company in
8 2019 and 2020 combined. The magnitude of the dollars involved in the management of RPS
9 compliance creates substantial risk for the Company when there is no recognition of positive
10 outcomes. The Company does not view this issue as limited to the \$1.6 million immediately at
11 issue, but potentially as multiple millions of dollars over succeeding years. Risk exposure this
12 great rightly belongs with businesses who operate in competitive risk-reward environments, such
13 as the wholesale suppliers of Energy Service. This approach is common throughout New
14 England and would be accommodated by suppliers as they have in other jurisdictions as a
15 reasonable alternative to the current program, and would allow competitive suppliers to properly
16 price in the cost and risk of the service from a volatile and uncertain market through additional
17 margins. Alternatively, the Company would request approval to fulfill RPS obligations utilizing
18 ACPs. Eversource should not be required to continue an untenable practice that exposes it to risk
19 without any offsetting benefit, particularly when there are market mechanisms in place to provide
20 the same service.

21 **Q. Does that complete your testimony?**

22 A. Yes, it does.