

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-002

PUBLIC SERVICE COMPANY OF NH d/b/a EVERSOURCE ENERGY

2018 Energy Service Solicitation

Order Following Hearing

ORDER NO. 26,104

February 22, 2018

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of NH d/b/a Eversource Energy; Orr & Reno by Douglas L. Patch, Esq., on behalf of NextEra Energy Marketing, LLC; Consumer Advocate D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves the results of Eversource's solicitation for power supply for its customers who have not elected to take energy supply from a competitive supplier for the four-month period beginning April 1, 2018. Those customers will experience a decrease in the energy service component of their bills on April 1. The overall bill impact will be determined after the Commission concludes its review of stranded costs in a companion docket.

I. PROCEDURAL HISTORY

On January 22, 2018, the Commission issued an Order of Notice opening this docket and scheduling a hearing on February 14, 2018, to review the petition of Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) for its competitively procured default energy service. On February 12, 2018, Eversource filed the results of the power supply solicitation for its energy service customers for the four-month period beginning April 1, 2018. Eversource's solicitation was the Company's first since it divested its fossil generation units.

With the petition, Eversource filed supporting testimony and related exhibits that explained its competitive request for proposal (RFP) process, the results of the solicitation, and the required adjustments and calculations that produced retail rates. Pursuant to N.H. Code Admin. Rules Puc 201.06 and 201.07, Eversource requested confidential treatment of certain information filed with its petition.

On January 30, 2018, the Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28. NextEra Energy Marketing, LLC (NextEra), filed a motion to intervene on February 7, 2018. The hearing was held as scheduled on February 14, 2018. At the hearing, the Commission granted NextEra's motion to intervene with the limitation that NextEra would not get access to confidential materials. Also at the hearing, the OCA, Staff, and the Commissioners all expressed concern about the amount of information for which Eversource was seeking confidential treatment. The Chair recommended that Staff, the OCA, and Eversource work informally to identify additional information within the filing that would be appropriate to disclose.

Consistent with discussions with Staff and the OCA, on February 16, 2018, Eversource made a filing that replaced Exhibit 1 (confidential version) and Exhibit 2 (redacted version). The replacement filing was substantively the same as previously filed, but disclosed additional information. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-002.html>.

I. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Eversource testified that it made its filing pursuant to the terms of the Settlement Agreement approved in Order No. 26,092 (December 29, 2017). According to Eversource, this initial solicitation is a transition to the new method and timing for procuring and providing default energy service. Under the Settlement Agreement, subsequent solicitations will be made for service effective in the August through January and February through July periods each year.

Eversource issued its RFP on January 12, 2018, for power supply for both its Large Customer Group¹ and its Small Customer Group.² The filing stated that the RFP went to approximately 230 potential suppliers including all members of the New England Power Pool Markets Committee and was posted on Eversource's (New Hampshire) Wholesale Supply website. Accordingly, Eversource believed the RFP had wide distribution throughout the New England energy supply marketplace.

According to Eversource, proposals were to be stated on an "as-delivered" energy basis to Pool Transmission Facilities within Eversource's metering domain, with prices stated monthly on a fixed dollar per-megawatt hour (MWh) basis. Prices could vary by month, but were required to be uniform for the entire month and cover the entire delivery term. The Large Customer Group was bid in a single tranche, and the Small Customer Group was bid in four tranches of equivalent sized loads. Offers were delivered on February 7, 2018, winning suppliers were selected on the same day, and transaction confirmations were executed the next day.

¹ Primary General Services Rate GV, Large General Service Rate LG, Backup Service Rate B, and any private lighting associated with those accounts billed under Outdoor Lighting Rate OL.

² Residential Rates R, and Rate-OTOD, General Services Rate G, and G-OTOD, and any outdoor lighting associated with those accounts billed under Outdoor Lighting Rate OL and municipal lighting on Outdoor Lighting Rates OL and EOL.

Eversource evaluated the offers and selected winning suppliers based on the lowest price by customer group, compliance with non-price bidding requirements and bidder qualifications, and risk relative to prices and ability to serve load, in accordance with the RFP. Eversource selected Exelon Generation Company LLC (Exelon) to provide power supply to the Large Customer Group for the four-month period beginning April 1, 2018, and NextEra Energy Marketing LLC (NextEra) to provide all four tranches of power supply for the Small Customer Group for the same four-month period. On February 8, 2018, Eversource entered into transaction confirmations with winning suppliers for both customer groups and executed a master power supply agreement with the winning suppliers. At the hearing, Eversource introduced the executed master power supply agreements and transaction confirmations as exhibits for the record. Eversource said that while it made some changes to the master power agreements, the changes did not shift any risk from the suppliers to Eversource's ratepayers.

Eversource stated that, in addition to the price, it considered qualitative factors such as experience in providing similar service to Eversource affiliates, demonstrated understanding of the market rules related to the provision of energy service, demonstrated understanding of its obligations under the power supply agreement, and past or present events that might adversely affect the supplier's ability to provide energy service. Eversource represented that the selection of winning bidders was ultimately based on price as all the responding suppliers were qualified to provide energy service.

Under the Settlement Agreement approved in Order No. 26,092, Eversource will manage its renewable portfolio standard (RPS) obligations outside of its energy supply solicitation process. Eversource established an RPS adder based on renewable energy certificate (REC) requirements, current market price information as of the full requirements power supply RFP due

date, and the cost of any RECs in its existing inventory. The result is a uniform RPS adder of 0.537 cents per kilowatt hour (kWh) for both the Small and Large Customer Groups.

Also pursuant to the Settlement Agreement, Eversource is to include a hydro adjuster in its energy service rate based on the forecasted cost and revenue associated with Eversource's hydro units until the closing of the sale of those assets. The result is a uniform hydro adjuster adder of 0.081 cents per kWh for both the Small and Large Customer Groups.

Eversource calculates the energy service rate for the Small Customer Group by averaging the base energy service rate for the four-month period and adding to that rate the RPS adder of 0.537 cents per kWh, an adjustment for administrative general expenses of 0.127 cents per kWh, and a hydro adjuster of 0.081 cents per kWh. The resulting energy service rate for residential customers is a uniform 7.903 cents per kWh for the four-month period April 1 through July 30, 2018. In future filings, Eversource will include an energy service reconciliation adjustment factor.

The rate for the Large Customer Group includes the same adjustments to the rate, but the energy service rate varies from month to month. The resulting rates for the four-month period beginning April 1, 2018, are as follows:

Month	April 2018	May 2018	June 2018	July 2018
Cents/kWh rate	8.739	8.152	8.165	8.251

Eversource said that some suppliers raised concerns regarding the length of time between submittal of offers and the Commission's final determination on the solicitation process and resulting rates. Eversource advocated compressing this time from bid to Commission approval to reduce some of the risk to prospective bidders, which could produce more participation and lower bids. At the hearing, Eversource indicated that five days from filing to approval, as is the

process for the other electric distribution companies in New Hampshire, would be an improvement.

B. OCA

The OCA said it had reviewed the filing and that the resulting rates are just and reasonable. Aside from the concerns regarding the extent of the redaction, the OCA recommended the Commission approve the filing.

C. Staff

Staff said it had reviewed the filing and it appeared that Eversource followed the appropriate procedures in soliciting power and selecting the winning bidder. Staff also stated that the resulting rates appeared to be market based. Staff recommended that the Commission approve the filing.

II. COMMISSION ANALYSIS

We find that Eversource's solicitation and bid evaluation procedures conform to the process that the Commission approved in Order No. 26,092. In that order, the Commission approved a settlement agreement generally describing the process by which Eversource would procure power supply for customers taking energy service from Eversource following Eversource's divestiture of its fossil fuel generation plants. Eversource's selection of NextEra and Exelon to provide power supply for the four-month period beginning April 1, 2018, is appropriate and satisfies the requirement that default energy service be procured through a competitive process that produces rates that are market based. RSA 374-F:3, V(c). Based on the process and our review of the results, we find the rates are just and reasonable.

We note that as a result of this filing, energy service rates for Eversource's energy service customers will decrease from the rate in effect prior to divestiture, which is currently 11.25 cents

per kWh. Eversource filed a request for a change to the stranded cost recovery charge (SCRC) rate on February 16, 2018, also for effect with service on and after April 1, 2018. If approved, the SCRC residential rate will increase from the current rate of 0.048 cents per kWh to an estimated rate of 1.845 cents per kWh. *See* Docket No. DE 18-023. The SCRC is paid by all distribution customers of Eversource through differing allocation to each rate class as part of the settlement agreement approved in Docket No. DE 14-238. Eversource will propose a final SCRC rate prior to the hearing on its request in Docket No. DE 18-023.

As discussed at the hearing in this matter, Eversource's initial filing claimed confidential treatment for information that we have found to be public information, which should be available for public inspection pursuant to RSA Chapter 91-A. While Eversource remedied some of the redactions in its February 16 filing, in the cover letter to that filing, Eversource acknowledged that Staff and the OCA may determine that more information should be publicly disclosed in future filings. Eversource said it is "committed to working with Staff and the OCA to ensure that submissions contain all of the information that is necessary and appropriate and that it is presented in a manner that is reasonable and accessible." Eversource Letter dated February 16, 2018, at 2. We hold Eversource to that commitment and require Eversource to meet with Staff and the OCA in advance of its next procurement to ensure that all pertinent information is included in the filing, that public information is properly disclosed, and that any additional exhibits that assist in presenting information in an administratively efficient and accessible manner are included in Eversource's next energy service filing.

Last, we are sensitive to Eversource's suggestion that the time period between final bids and Commission approval of a solicitation should be shortened to five days. Other utilities and third-party suppliers have made similar recommendations in the past for default service

solicitations. Now that all of the state's electric utilities are poised to be divested of their generation units and will issue competitive solicitations for energy supply, we believe it is time for the Commission to revisit its procedures for approving solicitations and fixing resulting energy service rates. We therefore direct Staff to draw on its substantial experience in reviewing these types of solicitations, as well as on the experience of other state commissions, and file a proposal for improving our procedures no later than September 1, 2018. In preparing its proposal, Staff's primary considerations should be decreasing retail rates by mitigating potential supplier risk premiums associated with the solicitation process and timelines, and increasing administrative efficiency. Staff should identify any statutory and rule changes that may be necessary to implement its recommendations.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into between Eversource and NextEra for 100 percent of the power supply requirements for the Small Customer Group for the four-month period beginning April 1, 2018, is hereby APPROVED; and it is

FURTHER ORDERED, that the power supply agreement entered into between Eversource and Exelon for 100 percent of the power supply requirements for the Large Customer Group for the four-month period beginning April 1, 2018, is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource is authorized to commence recovery of the costs of the power supply agreements through the energy service rates as proposed in this filing on a service-rendered basis for the four-month period beginning April 1, 2018; and it is

FURTHER ORDERED, that in advance of its next procurement, Eversource shall meet with Staff and the OCA to ensure that Eversource includes in its next filing all information

necessary to review the filing appropriately redacted and consistent with prior practice before the Commission; and it is

FURTHER ORDERED, that Eversource shall file a tariff conforming to this Order within 20 days hereof as required by Puc 1600; and the tariff filing shall demonstrate the calculation of the energy service rate by showing the base energy service rate, the RPS adder, the administrative and general services adder, the hydro adder, and the energy services reconciliation adjustment factor.

By order of the Public Utilities Commission of New Hampshire this twenty-second day of February, 2018.



Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner

Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**

INTERESTED PARTIES

RECEIVE ORDERS, NOTICES OF HEARINGS ONLY

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