

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF FREDERICK B. WHITE
FEBRUARY 1, 2019 THROUGH JULY 31, 2019
DEFAULT ENERGY SERVICE RATE CHANGE

Docket No. DE 18-002

1 **I. INTRODUCTION**

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

3 A. My name is Frederick B. White.

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

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

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

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

14 **II. PURPOSE**

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

16 A. The purpose of my testimony is to support the Company’s request for Commission
17 approval of Eversource’s planned procurements of full requirements power from wholesale
18 energy providers and Energy Service rates for both the Large and Small Customer groups
19 for the period February 1, 2019 through July 31, 2019. Energy Service is provided to retail

1 customers who are not taking service from a competitive supplier and is currently provided
2 to approximately 40% of Eversource’s total distribution load. Load requirements may
3 change from time to time and winning suppliers are responsible for their share of Large or
4 Small Energy Service supply regardless of changes in customer demand for any reason,
5 including daily load fluctuations, increased or decreased usage, demand-side management
6 activities, extreme weather and similar events. Suppliers are required to supply their share
7 of load for the full delivery term of February 2019 through July 2019. My testimony will
8 describe the solicitation process used by Eversource to procure full requirements power, the
9 results of the solicitation and selection of suppliers, and the development of the RPS rate
10 adder.

11 **Q. Please provide a list of attachments to your testimony.**

- 12 A. FBW-1 Energy Service RFP for February 1, 2019 through July 31, 2019
- 13 FBW-2 RFP Results and Selection of Suppliers
- 14 FBW-3 Proxy Prices
- 15 FBW-4 RPS Rate Adder
- 16 FBW-5 Executed Transaction Confirmation – Exelon - Large
- 17 FBW-6 Executed Transaction Confirmation – Exelon - Small
- 18 FBW-7 Executed Transaction Confirmation – NextEra - Small
- 19 FBW-8 Executed MPSA - Exelon
- 20 FBW-9 Executed MPSA - NextEra

21 **III. ENERGY SERVICE SOLICITATION PROCESS**

22 **Q. What is the background leading to Eversource procuring Energy Service from**
23 **competitive wholesale suppliers?**

24 A. On June 10, 2015, and following extensive negotiations, Eversource and numerous other
25 parties filed the 2015 PSNH Restructuring and Rate Stabilization Agreement (the “2015
26 Agreement”), which was approved by the Commission along with a related litigation
27 settlement in Order No. 25,920 (July 1, 2016).

28 Consistent with the 2015 Agreement, on June 29, 2017 Eversource filed a petition and
29 supporting testimony with the Commission seeking approval of a proposal for procuring
30 and providing default Energy Service to customers on a competitive basis, rather than
31 through its previous paradigm of a managed portfolio with owned generation resources.
32 This filing initiated Docket No. DE 17-113, “Petition for Approval of Energy Service
33 Supply Proposal.” Following discussions among the parties to that docket, a Settlement

1 Agreement was reached which described the method of and timing for Eversource's
2 transition to competitively procured Energy Service following the sale of its thermal
3 generating assets. That Settlement Agreement was approved by Order No. 26,092
4 (December 29, 2017).

5 Consistent with the Settlement Agreement in Docket No. DE 17-113, Eversource
6 conducted its initial solicitation for full requirements ES (not including RPS obligations)
7 for the period April 1 through July 31, 2018. The results of that initial solicitation were
8 approved by the Commission in Order No. 26,104 (February 22, 2018) in this docket. Also
9 consistent with the Settlement Agreement, going forward, subsequent solicitations are to be
10 made for service effective in the August through January, and February through July
11 periods.

12 **Q. Please describe the process Eversource used to procure its Energy Service supply for**
13 **February 1, 2019 through July 31, 2019.**

14 A. Eversource conducted its procurement of Energy Service supply in accordance with
15 applicable law, Commission directives, and the Settlement Agreement approved by the
16 Commission in Order No. 26,092, and consistent with the manner of similar solicitations
17 for other companies throughout New England. On November 8, 2018, Eversource issued a
18 request for proposals ("RFP" – Attachment FBW-1) for power supply services for
19 Eversource's Energy Service covering both the Large and Small Customer groups. The
20 RFP was issued to approximately 230 potential suppliers including all members of the New
21 England Power Pool ("NEPOOL") Markets Committee, and posted on Eversource's
22 Wholesale Supply (New Hampshire) website. Therefore, the RFP had wide distribution
23 throughout the New England energy supply marketplace.

24 Proposals were to be stated on an "as-delivered" energy basis to Pool Transmission
25 Facilities ("PTF") within the Eversource metering domain, with prices stated monthly on a
26 fixed \$/MWH basis. Prices could vary by calendar month, but were required to be uniform
27 for the entire calendar month and cover the entire delivery term. The Small Customer
28 group was divided into four tranches and the Large Customer group was one tranche. The
29 prices for each tranche and customer group could be different. In addition, prices could not
30 contain demand components or vary by time-of-use within a calendar month. Each tranche
31 for each customer group was evaluated separately. Offers were due on December 11, 2018,
32 winning suppliers were selected the same day, and transaction confirmations were executed
33 the following day.

1 **III. ENERGY SERVICE SOLICITATION RESULTS**

2 **Q. Did Eversource receive acceptable responses to the RFP and select winning proposals**
3 **for serving Energy Service load?**

4 A. Yes. Eversource received multiple conforming proposals on December 11, 2018.
5 Eversource evaluated the offers and selected winning suppliers based on lowest price by
6 customer group using a forecast of monthly Energy Service load by customer group,
7 compliance with non-price bidding requirements and bidder qualifications, and risk relative
8 to price and ability to serve the load, in accordance with the RFP. On December 12, 2018,
9 Eversource entered into Transaction Confirmations for the period February 1, 2019 through
10 July 31, 2019 with the winning suppliers for the Large and Small Customer groups.
11 Together, a Transaction Confirmation and a Master Power Supply Agreement (“MPSA”),
12 provide the terms for the purchase of Energy Service from a supplier, and both have been
13 executed for all the winning suppliers. Copies of executed Transaction Confirmations and
14 MPSAs are included in this filing at Attachments FBW-5 thru 9.

15 **Q. Please discuss the offers received and the analysis leading to the selection of winning**
16 **suppliers.**

17 A. The offers received and the identification of winning offers are shown in Attachment FBW-
18 2. In addition to ranking by price and the ability to meet credit requirements, Eversource
19 also considered the following regarding each supplier: experience in providing similar
20 services to Eversource; demonstrated understanding of the market rules related to the
21 provision of Energy Service; demonstrated understanding of its obligations under the
22 MPSA; and any past or present events that are known that may adversely affect their ability
23 to provide Energy Service. Eversource has previously experienced successful full
24 requirements power supply transactions with all the suppliers providing offers in response
25 to this RFP, and all have demonstrated good competence throughout the terms of those
26 transactions. No suppliers were downgraded by any prior experiences and all have met the
27 credit requirements outlined by the MPSA and RFP. Eversource concluded that all
28 responding suppliers were qualified to provide Energy Service and therefore selections
29 were based on lowest prices.

30 **Q. Did Eversource have a market price expectation as to the results of the procurement,**
31 **and how did results compare to expectations?**

32 A. Eversource independently prepares a “proxy” supplier price – our own internal analysis,
33 prepared on the same date as suppliers’ offers are due, to evaluate the reasonableness of the
34 offers received. While a sound process properly run, and robust participation, are the most

1 preferred attributes of any open solicitation process, a consistently calculated proxy price
2 can also serve to calibrate offers received to an objective reference point and may provide
3 some credibility or “feel” for the veracity of outcomes. Eversource’s affiliates have in
4 other jurisdictions over the past many years utilized an approach described below, and the
5 Company has replicated that approach for use in this solicitation.

6 In current markets, energy and capacity costs represent approximately 85-90% of the full
7 requirements cost to serve load (excluding RPS requirements). Eversource calculates the
8 costs of those components, and then applies low and high factors to account for all other
9 cost elements. The energy component is calculated utilizing forecasted monthly loads, the
10 number of peak and off-peak hours in each month of the delivery term, and peak and off-
11 peak energy market prices as of the RFP due date, to arrive at a load-weighted average
12 energy cost for the term. For the capacity component, Eversource converts ISO-NE’s
13 forecast of regional capacity costs (based on known capacity prices) and loads to monthly
14 \$/MWh rates, and then uses the same forecasted monthly loads as for the energy
15 component to arrive at a load-weighted capacity price for the term. In attachment FBW-3
16 these components are shown in the first eleven rows of each of the Large and Small
17 Customers tables. The low and high factors mentioned above are applied to the energy
18 component and incorporate other cost elements such as hourly load weighting, ancillaries,
19 ISO-NE administrative costs, and supplier risk premiums and profits. The ratioed-energy-
20 components and capacity component are then added together to provide a range within
21 which suppliers offers might be expected to fall.

22 The factors are developed from prior winning offers by removing the then-applicable
23 capacity component, and dividing the net by the then-calculated energy component. Over
24 time a family of factors from several prior RFPs are accumulated, and from that group the
25 low and high factors are used to set the range for an upcoming RFP. The Company has
26 “borrowed” the factors from other jurisdictions where Eversource conducts full
27 requirements service RFPs and will over time incorporate more iterations from New
28 Hampshire solicitations until only New Hampshire RFP results are utilized. Factors
29 developed from the Company’s two prior RFPs have been incorporated into the group of
30 historical factors used in the evaluation of this RFP’s results.

31 To be sure, there is not a perfect approach that can account for all the current inputs and
32 factors that go into suppliers’ decisions affecting their current offers. The approach
33 Eversource uses is intended to represent an approximation of where offers may come in
34 based on winning suppliers’ approaches during previous solicitations. Overall, the analysis

1 is based on some known market prices and the Company’s knowledge and experience in
2 the New England power markets. The proxy price results are shown in Attachment FBW-
3 3, to which suppliers’ period average prices from FBW-2 can be easily compared.
4 Although offers for the Large Customers were above the projected price range the
5 Company nevertheless views the winning offer as reasonable and acceptable, particularly
6 since there is limited experience in sourcing for PSNH and that most of the family of
7 solicitations utilized to develop the proxy factors were for three-month terms, rather than
8 the six-month term used here. The Company also recognizes that the likely alternative
9 would be for PSNH to “self-supply” the Large Customer load by becoming the load-
10 serving entity in ISO-NE power markets, sourcing energy from the day-ahead and real-time
11 markets, thereby placing the risks which would have been borne by suppliers, onto
12 customers.

13 **IV. RENEWABLE PORTFOLIO STANDARDS**

14 **Q. Previously you stated that the procurement of full requirements Energy Service did**
15 **not include RPS obligations. How will Eversource fulfill the RPS requirements**
16 **associated with Energy Service?**

17 A. In accordance with the Settlement Agreement in Docket No. DE 17-113, Eversource will
18 manage its RPS needs outside of the ES RFP process. Consistent with the manner
19 employed by Eversource for ES customers in New Hampshire over many previous years,
20 by Eversource’s affiliated companies in other jurisdictions, and by other New Hampshire
21 utilities, Eversource will fulfill RPS requirements through purchases from the issuance of
22 periodic RFPs, through purchases directly from producers, or through the bilateral market.

23 Regarding fulfillment of Class I Renewable Energy Certificate (“REC”) requirements,
24 Eversource will continue to purchase Class I RECs from the Burgess BioPower and
25 Lempster Wind facilities under existing PPAs. The REC amounts purchased from these
26 sources may more than meet Energy Service obligation quantities, eliminating the need for
27 other Class I purchases.

28 **Q. How will RPS requirements be reflected in Energy Service customers’ rates?**

29 A. Eversource has established a RPS Adder rate based on REC class percentage requirements,
30 current market price information as of the full requirements power supply RFP due date,
31 and any RECs currently existing in inventory. Development of the RPS Adder is outlined
32 in Attachment FBW-4. In this manner, the RPS component of Energy Service rates will
33 reflect the current expected cost of RPS compliance obligations. The RPS Adder and the

1 rate developed to recover the costs of full requirements power supply procurements from
2 suppliers will be two components of the overall Energy Service rate. Please refer to Mr.
3 Goulding's testimony which addresses Energy Service rate development.

4 **Q. Are there any provisions unique to the Burgess BioPower and Lempster Wind PPAs**
5 **due to the situation discussed above?**

6 A. Since the 2015 Agreement calls for the costs of those PPAs to be recovered via the
7 Stranded Cost Recovery Charge ("SCRC"), a transfer price must be set for Class I RECs
8 obtained under those PPAs which are used to satisfy the RPS compliance needs of ES
9 customers. Eversource has established the Class I transfer price according to the
10 Settlement Agreement and the methodology described in the June 28, 2017 Joint Testimony
11 of Shuckerow, White and Goulding in Docket No. DE 17-113. The \$/REC transfer price is
12 the current market price for Class I RECs shown in Attachment FBW-4, and the volume of
13 Class I RECs needed for RPS compliance for Energy Service during February through July
14 2019, will be transferred at that price.

15 **V. CONCLUSION**

16 **Q. How does Eversource view the outcome of its solicitation for the provision of Energy**
17 **Service for February 1, 2019 through July 31, 2019?**

18 A. Eversource believes this filing describes a successful solicitation process resulting in
19 reasonable market-based power supply rates for the Company's Energy Service customers.

20 **Q. What is the plan for the provision of Energy Service after July 31, 2019?**

21 A. Eversource plans to issue a RFP for the Large and Small Customer groups in May 2019 for
22 Energy Service over the period August 1, 2019 through January 31, 2020. For purposes of
23 notice to the Commission, the following illustrates Eversource's proposed schedule for the
24 next RFP:

25 Issue RFP	Thursday, May 2, 2019
26 Final Offers Due	Tuesday, June 4, 2019
27 Filing	Thursday, June 6, 2019
28 Requested PUC Decision	No Later Than, Thursday, June 13, 2019

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

30 A. Yes, it does.