

STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
DEFAULT ENERGY SERVICE RATE CHANGE

DIRECT TESTIMONY OF
LUANN J. LAMONTAGNE, JAMES R. SHUCKEROW, and
PARKER LITTLEHALE

December 8, 2022

1 **I. INTRODUCTION**

2

3 **Q. Please state your name.**

4 A. My name is Luann J. LaMontagne.

5 **Q. Ms. LaMontagne, please provide your business address and title.**

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

8 **Q. Ms. LaMontagne, please describe your responsibilities at Eversource Energy.**

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

16

17 **Q. Please state your name, positions and business address.**

18 A. My name is James R. Shuckerow. I am the Director, Electric Supply for Eversource
19 Energy Service Company. My business address is 107 Selden Street, Berlin,
20 Connecticut.

1

2 **Q. Mr. Shuckerow, could you please provide a brief summary of your**
3 **responsibilities as Director, Electric Supply?**

4 **A.** In my present position as Director, Electric Supply, my responsibilities include
5 leading the process to procure wholesale power supply contracts for Eversource
6 Energy customers in New Hampshire, Connecticut and Massachusetts who have not
7 selected retail power supply.

8

9 **Q. Please state your name.**

10 **A.** My name is Parker Littlehale.

11 **Q. Mr. Littlehale, please provide your business address and title.**

12 **A.** My business address is 247 Station Dr., Westwood, MA. I am a Manager,
13 Wholesale Power Supply in the Electric Supply department of Eversource Energy.

14 **Q. Mr. Littlehale, please describe your power procurement responsibilities at**
15 **Eversource Energy.**

16 **A.** I oversee the process required to fulfill the power supply requirement obligations of
17 the Company, including overseeing solicitations for the competitive procurement of
18 power for ES, and supervising the fulfilling RPS obligations. I also manage this
19 process for NSTAR of Massachusetts, d/b/a Eversource Energy.

20

21 **II. PURPOSE**

22

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

24 **A.** The purpose of our testimony is to support the Company's request for Commission
25 approval of Eversource's planned procurements of full requirements power from
26 wholesale energy providers and ES rates for both the Large and Small Customer
27 groups for the period of February 1, 2023 through July 31, 2023. ES is provided to
28 retail Eversource customers who are not taking service from a competitive supplier
29 and is currently provided to approximately 84% of residential customers, 31% of

1 commercial customers, and under 7% of industrial customers, which in the
2 aggregate represent about 49% of Eversource’s total distribution load. Load
3 requirements may change from time to time and winning suppliers are responsible
4 for their share of Large or Small Energy Service supply regardless of changes in
5 customer demand for any reason, including daily load fluctuations, increased or
6 decreased usage, demand-side management activities, load migration as community
7 power aggregations come online, extreme weather and similar events. Suppliers are
8 required to supply their share of load for the full delivery term of February 2023
9 through July 2023. Our testimony will describe the solicitation process used by
10 Eversource to procure full requirements power, the results of the solicitation and
11 selection of suppliers, and the development of the RPS rate adder.

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

- 13 A. LJL-1 Energy Service RFP for February 1, 2023 through July 31, 2023
14 LJL-2 RFP Results and Selection of Suppliers
15 LJL-3 Eversource Proxy Price
16 LJL-4 RPS Rate Adder
17 LJL-5 Executed Transaction Confirmation –Large
18 LJL-6 Executed Transaction Confirmation –Small
19 LJL-7 Executed Transaction Confirmation –Small
20 LJL-8 Executed Transaction Confirmation –Small
21 LJL-9 Chart – Mass Hub Forward Price of On-Peak Power (\$ per MWh)

22 **III. ENERGY SERVICE SOLICITATION PROCESS**

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

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

1 Consistent with the 2015 Agreement, on June 29, 2017 Eversource filed a petition
2 and supporting testimony with the Commission seeking approval of a proposed
3 process for procuring and providing default ES to customers on a competitive basis,
4 rather than through its previous paradigm of a managed portfolio with owned
5 generation resources. This filing-initiated Docket No. DE 17-113, “Petition for
6 Approval of Energy Service Supply Proposal.” Following discussions among the
7 parties to that docket, a Settlement Agreement was reached that described the
8 method of and timing for Eversource’s transition to competitively procured Energy
9 Service following the sale of its thermal generating assets. That Settlement
10 Agreement was approved by Order No. 26,092 (December 29, 2017).

11 Consistent with the Settlement Agreement in Docket No. DE 17-113, Eversource
12 conducted its initial solicitation for full requirements ES (not including RPS
13 obligations) for the period April 1 through July 31, 2018. Also consistent with the
14 Settlement Agreement, going forward, subsequent solicitations are made for service
15 effective in the August through January, and February through July periods.
16

17 The Company has continued its procurement consistent with the Settlement
18 Agreement from Docket No. DE 17-113, adhering to the process which includes a
19 single procurement for 100% of the ES for each of the two six-month procurement
20 periods spanning February through July, and August through January. Eversource’s
21 periods were established by splitting the typically highest-cost months of January
22 and February to reduce price volatility.

23 **Q. Please describe the process Eversource used to procure its Energy Service**
24 **supply for February 1, 2023 through July 31, 2023.**

25 A. Eversource conducted its procurement of ES supply in accordance with applicable
26 law, Commission directives, and the Settlement Agreement approved by the
27 Commission in Order No. 26,092, and consistent with the manner of similar
28 solicitations for other companies throughout New England. On October 27, 2022,

1 Eversource issued a request for proposals (“RFP” – Attachment LJJ-1) for power
2 supply services for Eversource’s ES covering both the Large and Small Customer
3 groups. Notices of the issuance of the RFP were sent to prior participants in
4 Eversource’s wholesale supply solicitations, numerous other ISO-NE wholesale
5 market participants and potential suppliers, and the RFP was posted on
6 Eversource’s Wholesale Supply (New Hampshire) website. Therefore, the RFP had
7 wide distribution throughout the New England energy supply marketplace.

8 Proposals were to be stated on an “as-delivered” energy basis to Pool Transmission
9 Facilities (“PTF”) within the Eversource metering domain, with prices stated
10 monthly on a fixed \$/MWH basis. Prices could vary by calendar month but were
11 required to be uniform for the entire calendar month and cover the entire delivery
12 term. The Small Customer group was divided into eight tranches and the Large
13 Customer group was divided into two tranches. This is a revision from previous
14 solicitations that offered four tranches for the Small Customer group and one
15 tranche for the Large Customer group. The motivation to increase the number of
16 tranches offered was to incentivize supplier participation by reducing the MWh’s
17 per tranche, therefore reducing the associated risk and load uncertainty for each
18 individual tranche. Offers were due on December 6, 2022, winning suppliers were
19 selected the same day, and transaction confirmations were executed the following
20 day.

21 **IV. ENERGY SERVICE SOLICITATION RESULTS**

22 **Q. What are the decision-making criteria used by the Company to analyze the**
23 **bids received?**

24 A. Eversource takes into account the totality of the circumstances surrounding the
25 RFP and the service period that it covers. The main criteria however, in addition to
26 the proxy price, are the number of bidders participating, the number of bids
27 received, and how the bid prices are clustered, or distributed. These criteria are
28 particularly telling regarding the state of the market.

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In this instance, the results for the small customer group satisfied all the main criteria: there were several bidders and associated bids, and the bid prices were clustered closely together. This combination gives the Company a high degree of confidence in recommending these bids as just and reasonable. Additionally, the bids also all came in around the proxy price, with the highest bid accepted being just one percent above the proxy.

This differs from the Large Customer group that received only one bid for one of two tranches. But while the results for the Large Customer group didn't satisfy the criteria discussed above, the bid is nonetheless market reflective. Historically, Eversource's Large Customer group has been load that suppliers are very reluctant to bid on—and this was the case long before the current market volatility—as it is a relatively small amount of load that has a high degree of uncertainty and chance of customer migration; so it was not unexpected to receive only one bid on one of two tranches. And while the price of the bid received was notably over the Eversource proxy price, it was also consistent with bids for analogous load in Eversource's other service territories. Overall, the bid received was indicative of market conditions for this load and is therefore just and reasonable and should be approved by the Commission.

Q. Did Eversource have a market price expectation as to the results of the procurement?

A. In support of the decision-making criteria discussed above, Eversource independently prepares a “proxy” supplier price using the Company's internal analysis to evaluate the reasonableness of the offers received. The proxy price is prepared on the same date that suppliers' bids are due so that the Company is using the most current and analogous market information to analyze the reasonableness of the offers received. While a sound process properly run and robust participation are the most preferred attributes of any open solicitation, a consistently calculated proxy price provides a reference point that facilitates analysis of the degree of

1 market reflectiveness, and therefore reasonableness, of those offers. Eversource
2 uses the approach described below to develop such proxy prices.

3 Eversource calculates the costs of the energy and capacity components, and then
4 applies a range of factors to account for all other cost elements. The energy
5 component is calculated utilizing forecasted monthly energy service loads, the
6 number of peak and off-peak hours in each month of the delivery term, and peak
7 and off-peak energy market prices as of the RFP due date, to arrive at a load-
8 weighted average energy cost for the term. For the capacity component, Eversource
9 converts ISO-NE's known regional capacity costs and forecast of loads to monthly
10 \$/MWh rates, and then uses the forecasted monthly ES loads to arrive at a load-
11 weighted capacity price for the term. The factors mentioned above are applied to
12 the energy component and incorporate other cost elements such as hourly load
13 weighting, ancillaries, ISO-NE administrative costs, and supplier risk premiums and
14 profits. The ratioed energy components and capacity component are then added
15 together to provide a range within which suppliers offers might be expected to fall.

16
17 Eversource develops a proxy price for each of the customer groups. For the small
18 customer group, there is a greater amount of data used to develop that price, where
19 for the large customer group, there is less data available on which to base the proxy.
20 The effect of this is that the small customer group proxy price is a more precise
21 indication of where bids are likely to come in, where the large customer proxy price
22 is more of an estimate, or indicative of a range, of where bids may come in.

23 The factors are developed from recent winning offers received in our service
24 territories by removing the then-applicable capacity component and dividing the net
25 by the then-calculated energy component. This approach of developing the proxy
26 price employs the Company's knowledge and experience to present an
27 approximation of expected bid prices, which allows the Company to assess the
28 market-reflectiveness of bids received with a reasonable degree of certainty. Bids
29 received during 2022 have reflected a sharp increase in energy prices caused by

1 high natural gas prices used by the generation fleet of resources within New
2 England.

3

4 **Q. Did Eversource receive a sufficient number of acceptable and competitive**
5 **responses to the RFP to cover all of Eversource's ES load?**

6 A. Eversource received more than sufficient bids for the Small Customer Group but
7 not for the Large Customer Group. Eversource received thirteen conforming
8 proposals for the eight tranches for Small Customers and one conforming proposal
9 for the two Large Customer tranches. For the other 50% tranche of Large Customer
10 load Eversource received no bids. Eversource evaluated these offers and selected
11 winning suppliers using Eversource's decision-making criteria, further supported by
12 the proxy prices by customer group and accounting for current market conditions,
13 as well as compliance with non-price bidding requirements and bidder
14 qualifications, and risk relative to price and ability to serve the load. For all bids
15 the Company accepted on December 6, 2022, Eversource entered into Transaction
16 Confirmations for the service period of February 1, 2023 through July 31, 2023
17 with the winning suppliers for the Large and Small Customer groups. Together, a
18 Transaction Confirmation and a Master Power Supply Agreement ("MPSA")
19 provide the terms for the purchase of ES from a supplier, and both have been
20 executed for all the winning suppliers. Copies of executed Transaction
21 Confirmations are included in this filing as Confidential Attachments LJL-5, LJL-6,
22 LJL-7, and LJL-8. Executed MPSAs with winning bidders were previously
23 provided in Docket No. DE 18-002.

24

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

27 A. The offers received and the identification of the winning offers are shown in
28 Confidential Attachment LJL-2. In addition to ranking by price and the ability to
29 meet credit requirements, Eversource also considered the following regarding each
30 supplier: experience in providing similar services to Eversource, demonstrated
31 understanding of the market rules related to the provision of ES, demonstrated

1 understanding of its obligations under the MPSA, and any past or present events
2 that are known that may adversely affect a supplier's ability to provide ES.
3 Eversource has previously experienced successful full requirements power supply
4 transactions with all of the selected suppliers, and all of them performed
5 competently during the service periods for which they were selected. No suppliers
6 were downgraded by any prior experience and all have met the credit requirements
7 outlined by the MPSA and RFP. Eversource concluded that all responding
8 suppliers were qualified to provide ES and therefore selections were based on prices
9 taking into account the current state of the competitive market.
10

11 **Q. How did the RFP outcome compare with the Company's expectations and
12 what is that attributable to?**

13 A. The results from the Small Customer group were overall more positive than those
14 from recent procurements in other service territories, while the results from the
15 Large Customer group were consistent with neighboring states. However, the
16 Company anticipated that there would be a degree of unpredictability to the RFP
17 outcome that would be tied to market volatility, so it was not entirely surprising that
18 the bids for the customer group were more robust than predicted. There could be a
19 number of factors contributing to the outcome of the Small customer group
20 including cutting the size of the tranches in half, or the fact that the Company has
21 taken the public position in all three of its service territories that it was willing to
22 reject bids in favor of Company market-based procurement if those bids were so
23 unreasonably high as to not be market reflective. However, a verifiable correlation
24 may be tied to the fortunate timing for rendering bids to the Company. Prices
25 dropped just days before bids were due (see Attachment LJL-9), and Eversource
26 received more bids than expected.
27

28 **Q. Is the outcome of the Small Customer group indicative of an improving and
29 stabilizing market?**

30 A. Unfortunately, no. The Company was pleased that the price of ES decreased
31 compared with the current service period, but as referenced in the previous

1 response, this is most likely due to fortuitous timing, and not a stable downward
2 market trend. Currently, the only market trend is persistent volatility. Please see
3 Attachment LJL-9 for a depiction of how the weighted average cost of buying a
4 MWh during the February through July 2023 service period has changed from June
5 2020 through December 2022. The graph shows that there is no indication of
6 stabilization from the extreme volatility that has been experienced.

7

8 **Q. How does the Company propose to proceed to address the remaining load not**
9 **covered by bids from this RFP?**

10 A. For the Large Customer tranche that received no bids, Eversource requests that the
11 Commission modify the procedural schedule to accommodate a second RFP,
12 consistent with the Commission’s recommendation “strongly encouraging” the
13 Company to do so. Upon authorization by the Commission, Eversource will issue a
14 second RFP for 50% of the load for Large Customers for the service period of
15 February 1, 2023 through July 31, 2023. Eversource proposes the following
16 schedule for the second RFP and subsequent approval process:

17 Issue RFP	Thursday, December 16, 2022
18 Final Offers Due	Tuesday, January 10, 2023
19 Filing	Thursday, January 12, 2023
20 Hearing	Tuesday, January 17, 2023
21 Requested PUC Decision	No Later Than, Thursday, January 19, 2023

22

23 **Q. Is there another option to cover the remaining ES load that does not entail**
24 **issuing a second RFP?**

25 A. Yes. The Commission could direct Eversource to initiate a Market-Based
26 Procurement Process that would require the Company to bid into the day ahead
27 ISO-NE market for uncovered Large Customer load for the February 2023 through
28 July 2023 service period. Market-Based Procurement by the Company will also
29 become necessary should a second RFP be issued but fail to produce bids to cover
30 the remaining ES load. However, the Company is prepared to issue the second RFP
31 upon authorization from the Commission.

1

2 **Q. Are there any other considerations the Company would like the Commission to**
3 **take into account?**

4 A. Yes. To undertake a Market-Based Procurement Process, Eversource would need
5 to hire an outside vendor to generate a load forecast to facilitate purchases in the
6 ISO-NE day ahead market. The vendor needs several weeks to build the load
7 forecasting model that generates the load forecast necessary for this work, so for the
8 Company to be able to provide ES on February 1, 2023 via Market-Based
9 Procurement in the event the second RFP is unsuccessful, the Company asks that
10 the Commission authorize this work in the order it issues for the bids recommended
11 for approval in this filing, which the Company has requested by December 15. The
12 costs of this work will be nominal.

13 **V. RENEWABLE PORTFOLIO STANDARDS**

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

17 A. In accordance with the Settlement Agreement in Docket No. DE 17-113,
18 Eversource will manage its RPS needs outside of the ES RFP process. Consistent
19 with the manner employed by Eversource for ES customers in New Hampshire over
20 many previous years, by Eversource's affiliated companies in other jurisdictions,
21 and by other New Hampshire utilities, Eversource will fulfill RPS requirements
22 through purchases of Renewable Energy Credits ("RECs") from the issuance of
23 periodic RFPs, through purchases directly from producers, through the bilateral
24 market, or through Alternative Compliance Payments ("ACPs") to RECs.
25 Eversource will manage RPS compliance in this matter for all Eversource ES load,
26 whether covered by competitive suppliers or through Market-Based Procurement by
27 the Company.

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

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

7 A. Eversource has established an RPS Adder rate based on REC class percentage
8 requirements, current market price information as of the full requirements power
9 supply RFP due date, and any RECs currently existing in inventory. Development
10 of the RPS Adder is outlined in Attachment LJL-4. The RPS component of ES
11 rates will apply these factors to reflect the current expected cost of RPS compliance
12 obligations. The RPS Adder and the rate developed to recover the costs of full
13 requirements power supply procurements from suppliers comprise the two
14 components of the overall ES rate. Please refer to Ms. Paruta’s testimony which
15 addresses ES rate development.

16 **Q. Are there any provisions unique to the Burgess BioPower and Lempster Wind
17 PPAs due to the purchase requirements discussed above?**

18 A. Since the 2015 Agreement calls for the costs of those PPAs to be recovered via the
19 Stranded Cost Recovery Charge (“SCRC”), a transfer price must be set for Class I
20 RECs obtained under those PPAs which are used to satisfy the RPS compliance
21 needs of ES customers. Eversource has established the Class I transfer price
22 according to the Settlement Agreement from Docket No. DE 17-113 and the
23 methodology described in the June 28, 2017 Joint Testimony of Shuckerow, White
24 and Goulding in Docket No. DE 17-113. The \$/REC transfer price is the current
25 market price for Class I RECs shown in Attachment LJL-4, and the volume of Class
26 I RECs needed for RPS compliance for ES during February 2023 through July
27 2023, will be transferred at that price.

1 **VI. CONCLUSION**

2
3 **Q. How does Eversource view the outcome of its solicitation for the provision of**
4 **Energy Service for February 1, 2023 through July 31, 2023?**

5 A. The outcome of this RFP is reflective of market conditions and the bids
6 recommended by the Company for approval in this filing represent market-
7 competitive supply rates for the Company's ES customers. Eversource urges the
8 Commission to accept all proposed bids, including the bid for the Large Customer
9 group, despite this bid being over the Company's proxy price. As discussed
10 previously, the bid price was consistent with comparable load from neighboring
11 service territories, and indicative of the market's historical reluctance to cover this
12 load. At this time, this bid is a reasonable reflection of overall market conditions
13 for this ES load. Should the Commission reject this bid, not only would the
14 Company be unlikely to receive any bids in a second RFP for this service period,
15 but it will also likely be hard-pressed to receive bids for future RFPs for the Large
16 Customer group, and possibly fewer bids for the Small Customer group as well.
17 Setting precedent for bid rejection would likely destabilize the expectations of
18 suppliers and create further uncertainty and risk for suppliers in future RFPs. For
19 the remaining uncovered load for the Large Customer group, Eversource
20 respectfully requests that the Commission either approve a second RFP and bid
21 approval process to be executed in this docket, or alternatively direct the Company
22 to conduct Market-Based Procurement.

23
24 **Q. Does the Company believe that the bids recommended for approval in this**
25 **filing will result in just and reasonable rates?**

26 A. Yes.

1 **Q. What is the Company’s schedule for the solicitation for the Energy Service**
2 **period of August 2023 through January 2024?**

3 A. Eversource plans to issue an RFP for the Large and Small Customer groups in May
4 2023 for Energy Service over the period August 1, 2023 through January 31, 2024.
5 For purposes of notice to the Commission, the following illustrates Eversource’s
6 proposed schedule for the next RFP:

7 Issue RFP	Thursday, May 11, 2023
8 Final Offers Due	Tuesday, June 13, 2023
9 Filing	Thursday, June 15, 2023
10 Requested PUC Decision	No Later Than, Thursday, June 22, 2023

11

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

13 A. Yes, it does.