

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-021

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY**

2022 Energy Service Solicitation

**Order Approving Adjustment to the Energy Service Rate
For Effect on August 1, 2022**

O R D E R N O. 26,645

June 23, 2022

This order authorizes Eversource to recover the costs of power supply through energy service¹ rates for effect between August 1, 2022 and January 31, 2023. The order approves a six-month energy service rate of 22.566 cents per kilowatt hour (kWh) for residential customers taking energy service from Eversource, a 112% increase in power supply costs as compared to current rates. For a residential customer using 650 kWh per month, when transmission and distribution costs are included, the result will be an increase in the monthly bill from \$145.11 to \$222.44, or about \$77.33 more (an increase of 53.3 percent), compared to current rates. The residential energy service rate is 13.74 cents per kWh higher than the same six-month period (August to January) a year ago. These rates include a charge of 0.8 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. For residential customers, these RPS costs represent approximately 3.5 percent of the total energy charge. These rates also include a 0.058 cents per kWh charge for Eversource's administrative and general expenses, and various rate adjustment factors.

¹ The customer bill for those customers that take Eversource default service is composed on 3 parts, power supply, transmission, and distribution. The energy service rates for default service customers are for the power supply component only.

The Commission recognizes that the impact of these rates, though reflective of current national and global energy market conditions, is a significant concern for ratepayers. While the Commission has not had regulatory authority over power supply since New Hampshire's generation divestiture policy was enacted, it has authority over the supply/energy service procurement process. In the current environment of rapidly rising costs, it is a good time to review this procurement process, including timing, duration, cost averaging, and best practices from other states. Therefore, as indicated in Order No. 26,643 (June 20, 2022) in Docket No. DE 22-024 (the Liberty default service solicitation proceeding), the Commission will expand its RPS compliance investigation, as introduced by the Commission in Order No. 26,582, to include supply/energy service practices.

I. PROCEDURAL HISTORY

On April 5, 2022, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a timeline for requesting approval of its solicitation and procurement of default energy service (ES) on behalf of its large and small customer groups for delivery beginning on August 1, 2022. Eversource made its filing pursuant to a settlement agreement (Settlement Agreement) approved in Order No. 26,092 (December 29, 2017). The Settlement Agreement established the process by which Eversource procures energy service following divestiture of its generation assets. On April 12, 2022, the Commission issued a Commencement of Adjudicative Proceeding and Notice of Hearing Order, scheduling a hearing for June 21, 2022.

On June 16, 2022, Eversource filed a Petition for Adjustment to the Energy Service Rate for effect on August 1, 2022, with supporting pre-filed testimony of Luann J. Lamontagne (Senior Analyst in the Electric Supply department of Eversource Energy), James R. Shuckerow (Director, Electric Supply for Eversource Energy Service

Company), Parker Littlehale (Manager, Wholesale Power Supply in the Electric Supply department of Eversource Energy), and Marisa B. Paruta (Director, New Hampshire and Connecticut Revenue Requirements for Eversource Energy Service Company). Ms. Lamontagne, Mr. Littlehale, Ms. Paruta, and Mr. Shuckerow provided additional oral testimony in support of the Company's petition at hearing. Certain schedules included in Eversource's filings contain information that Eversource claims is confidential pursuant to the 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.

On June 17, 2022, the Office of the Consumer Advocate (OCA) filed a letter of participation in this matter. The hearing was held as scheduled on June 21, 2022. In addition to the Company and the OCA, representatives of the New Hampshire Department of Energy (DOE) also appeared.

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/2022/22-021.html>

II. POSITIONS

A. Eversource

Eversource submitted its default ES petition pursuant to the Settlement Agreement approved in Docket No. DE 17-113. The petition seeks approval of new ES rates for the six-month period beginning August 1, 2022. Eversource based its filing on the results of its Request for Proposals (RFP) solicitation issued on May 12, 2022, for power supply to serve the Company's Large and Small Customer groups. According to Eversource, the RFP was widely distributed, including to all members of the New

England Power Pool (NEPOOL) Markets Committee and was posted on the Company's website.

The RFP requested 100 percent of the required power supply for the Company's Small Customer Group in four tranches of equal size, and 100 percent of the required power supply for its Large Customer Group in a single tranche. The RFP requested that bids be prepared on an as-delivered energy basis, with prices stated monthly on a fixed dollar per megawatt-hour (MWh) basis. While bidders could offer prices that varied by month for one or more tranches, Eversource required that prices for the Small Customer Group be uniform within each month and cover the entire six-month delivery period beginning August 1, 2022. For its Large Customer Group, Eversource required pricing set at a monthly rate that will vary each month and cover the entire six-month delivery period beginning on August 1, 2022. Eversource received bids on June 14, 2022; winning suppliers were also selected on June 14, 2022; and transaction confirmations with the winning bidders were executed by the Company on June 15, 2022.

The Company evaluated the offers and selected winning suppliers based on the lowest price by customer group using a forecast of monthly energy service load by customer group, compliance with non-price bidding requirements and bidder qualifications, risk relative to prices, and ability to serve load, all as specified in the RFP. In addition to price, Eversource 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 obligations under the power supply agreement, and past or present events that might adversely impact the supplier's ability to provide energy. Eversource

ultimately selected the winning bids based on price, as all the responding suppliers were qualified to provide energy service.

The Company entered into its Transaction Confirmations for the period August 1, 2022, through January 31, 2023, with the winning suppliers for both the Small and Large Customer groups. Together, a Transaction Confirmation and a Master Power Supply Agreement provide the terms for the purchase of energy service from a supplier; both documents have been executed with each of the winning suppliers.

Eversource selected NextEra Energy Marketing, LLC (NextEra) to supply power for two of the tranches of the Small Customer Group, and Constellation Energy Generation, LLC (Constellation) to supply power for the other two tranches of the Small Customer Group. Eversource selected NextEra to provide power for the Large Customer Group.

Based on the winning bids, Eversource calculated the ES rate for its Small Customer Group for the six-month period beginning August 1, 2022, to be 22.566 cents per kWh. Monthly rates for the Large Customer Group were as follows: August 2022, 22.423 cents per kWh; September 2022, 19.322 cents per kWh; October 2022, 17.523 cents per kWh; November 2022, 24.575 cents per kWh; December 2022, 41.884 cents per kWh; January 2023, 48.550 cents per kWh.

The Company represented that consistent with the Settlement Agreement, Eversource added to the base energy price an amount that recovers costs that Eversource must pay for compliance with New Hampshire's RPS requirements under RSA 362:F. In addition to that RPS adder, Eversource includes in its ES rates an amount to recover its administrative and general expense costs related to the procurement of energy service for its customers. Eversource also included an annual energy reconciliation adjustment factor in the calculation of ES rates. Eversource

calculated a uniform RPS adder, based on current market prices for renewable energy certificates (RECs) that comply with the RPS requirements of 0.800 cents per kWh for both the Small and Large Customer Groups. Eversource calculated the recovery factor for administrative and general expenses to be 0.058 cents per kWh.

To balance out past over- and under-recoveries related to the Company's RPS and other ES-related costs, Eversource calculated a credit of 0.278 cents to be applied as an offset to ES rates for the Small Customer Group, including residential customers, and a credit of 0.510 cents to be applied as an offset to ES rates for the Large Customer Group. *See* Testimony of Marisa B. Paruta, Hearing Exhibit 1, Bates Pages 40-44. (The DOE confirmed at hearing that it reviewed the accounting of these cost items). The Company also updated its Lead/Lag Study used in the calculation of the working capital requirements for ES rates, including those related to RPS costs, using calendar year 2021 data, and incorporated the results of the study to calculate the return on cash working capital requirements included in its ES rate filing for rates effective on August 1, 2022.

Regarding the magnitude of the proposed rate increases, Eversource pointed to "a sharp increase in energy prices caused by exceedingly high natural gas prices used by the generation...resources within New England." *See* Testimony of Lamontagne, Shuckerow, and Littlehale, Hearing Exhibit 1, Bates Pages 9-10, lines 30 through 6. The Company also indicated that it planned to "proactively leverage multiple venues and media to reach both residential and commercial customers and inform them about the impending increase in ES prices." *See* Testimony of Marisa B. Paruta, Hearing Exhibit 1, Bates Page 52. Eversource, as part of this effort, stated that they plan to: post information on its website; utilize traditional and social media outlets; issue bill messages including bill inserts, on-bill messaging, and envelope messaging;

conduct direct outreach to large commercial customers; and engage in outreach to social service agencies and communities. *Id.* Eversource also indicated a desire to consult with the DOE and the OCA on such efforts. *Id.*

In oral testimony provided at hearing, Ms. Lamontagne, Mr. Littlehale, Ms. Paruta, and Mr. Shuckerow provided additional detail and explanation of the matters presented in their written testimony on behalf of the Company and provided their perspectives regarding the current energy market conditions driving the proposed increase in the ES rates. Eversource also requested that the Commission approve its ES filing and allow the costs associated with the NextEra and Constellation power supply contracts to be approved through ES rates.

B. OCA

The OCA stated at hearing that, despite the unfortunate circumstances driving the very high ES rate increases, Commission approval of the Company's proposed ES rates would comport with the just and reasonable rate making standard. The OCA further recommended that the Commission should take the approach delineated in the Liberty default service proceeding of Docket No. DE 22-024, in Order No. 26,643 (June 20, 2022).

C. DOE

The DOE, in a statement made at hearing, stated that the Company's proposed ES rates were consistent with the Settlement Agreement, and Eversource's bidding process was reasonable and consistent with the generally prevailing market conditions. The DOE further expressed its hope that alternative payment arrangements could be developed with the Company's cooperation to also assist small commercial customers.

III. COMMISSION ANALYSIS

We find that Eversource's solicitation and bid evaluation procedures conform to the process approved by the Commission in Order No. 26,092. In that order, the Commission approved a settlement agreement that generally established the process whereby Eversource would procure power supply for customers taking energy service from Eversource following Eversource's divestiture of its generation plants.

Eversource's solicitation of bids and selection of NextEra and Constellation to provide power supply for the six-month period beginning on August 1, 2022, is appropriate and satisfies the requirement that default energy service be procured through a competitive process that produces rates that are market based. *See* RSA 374-F:3, V(c).

We will also approve the results of the Company's 2021 Lead/Lag study for its ES rates, its calculation of its ES rate reconciliation credits, and its calculation of the RPS adder, subject to reconciliation. Based on the process and our review of the results, we find that the resulting ES rates, though reflective of current volatility in the energy market, are market-based, just, and reasonable.

Regarding the customer impact of these substantially increased default service rates, we support the Company's intent to vigorously pursue customer outreach and education in preparation for and during the August 1, 2022 to January 31, 2023 default service period. We require that the Company provide an overview of their associated customer outreach and education efforts, along with a review of the costs associated with such efforts, as part of the next default service solicitation petition. *See also* Order No. 26,643 (June 20, 2022).

The Commission recognizes that though we do not have regulatory authority over Eversource's power supply since the Company divested itself of its generation/power supply assets several years ago, the Commission has the ability to

oversee the procurement process. The Commission will therefore, in addition to investigating the RPS compliance process (as introduced in Order No. 26,582), investigate procurement practices to provide a forum to challenge assumptions and evaluate potential improvements to existing processes.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into between Eversource and NextEra Energy Marketing, LLC, and Constellation Energy Generation, LLC, to provide power supply requirements for the six-month period beginning August 1, 2022, are hereby APPROVED as discussed herein above; and it is

FURTHER ORDERED, that Eversource's request to recover the costs of the power supply agreements through the energy service rates proposed in this filing effective with services rendered on and after August 1, 2022, through January 31, 2023, is hereby APPROVED, as discussed herein above; and it is

FURTHER ORDERED, that Eversource is authorized to use the results of the 2021 Lead/Lag study in the calculation of rates, subject to any reconciliation; and it is


FURTHER ORDERED, that Eversource is authorized to use its price estimates of renewable energy certificates in its calculation of energy service rates, as delineated in Attachment LJL-4 (Bates Page 26 of Confidential Exhibit 2); and it is


FURTHER ORDERED, that Eversource 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; and it is

FURTHER ORDERED, that Eversource shall provide the Commission with an update regarding the Company's customer outreach and education efforts with respect to the energy service rates approved herein, along with a review of the costs associated with such efforts, as part of the next default service solicitation petition; and it is

FURTHER ORDERED, that the investigatory docket as introduced in Order No. 26,582 shall further include a statewide review of electric distribution company default service procurement practices in addition to the utilities' role in RPS compliance on behalf of default service customers.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of June, 2022.


Daniel C. Goldner
Chairman


Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket# : 22-021

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