STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

March 19, 2024 - 9:01 a.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DE 23-043**
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY:
2023 Energy Service Solicitations.
(Hearing regarding a proposal for an updated procurement approach for Default Service as requested)

PRESENT: Chairman Daniel C. Goldner, *Presiding*
Commissioner Pradip K. Chattopadhyay
Commissioner Carleton B. Simpson

Alexander Speidel, Esq./*PUC Legal Advisor*

Tracey Russo, Clerk

APPEARANCES: **Reptg. Public Service Company of New Hampshire, d/b/a Eversource Energy:**
David K. Wiesner, Esq.

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
Matthew C. Young, Esq.
Stephen Eckberg, Electric Division
(Regulatory Support Division)

Court Reporter: Steven E. Patnaude, LCR No. 52

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YI-AN CHEN

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning. I'm Chairman Goldner. I'm here today with Commissioner Simpson and Commissioner Chattopadhyay.

This is the hearing on the Eversource proposal for an updated procurement approach for Default Service -- Default Energy Service presented in its February 5th, 2024, filing, and held pursuant to the Commission's Supplemental Order of Notice issued on February 8th, 2024. The Company filed its Affidavit of Publication on February 9th. We also acknowledge the Company's latest Wholesale Market Price Comparison Table timely filed on February 27th, 2024.

As requested by the Commission, the New Hampshire Department of Energy, through its analyst, Mr. Eckberg, filed its statement of position on Eversource's proposal on March 12th, 2024.

Eversource filed it's Witness and Exhibit List for this proceeding on March 12th, 2024. There was no indication of whether there is assent by the DOE and OCA regarding this. So, we ask the parties, when they make appearances, to confirm that they have no objection to the Company's proposed Exhibit 9.

We also note the February 26th Community Power Coalition of New Hampshire Motion for Intervention, for which there were no objections filed. The Commission will address the Community Power Coalition Motion to Intervene from the Bench this morning. When we take appearances, as there have been no positions offered by the parties regarding the Commission's -- the Coalition's Motion, we would also ask that each party state their position regarding this motion.

We'll now take appearances, starting with Eversource.

MR. WIESNER: Good morning, Commissioners. David Wiesner, representing Public Service Company of New Hampshire, doing business as Eversource Energy.

We have two witnesses this morning. I'll introduce you to them shortly.

And we do not object to the Coalition's Petition to Intervene.

CHAIRMAN GOLDNER: Okay. Thank you. And the Office of the Consumer Advocate?

MR. KREIS: Good morning, Mr. Chairman, Commissioners. I'm Donald Kreis, doing business as the Consumer Advocate.

We have no objections to Exhibit 9 becoming evidence. And we also have no objection to the Community Power Coalition of New Hampshire becoming a party.

CHAIRMAN GOLDNER: Thank you. And the New Hampshire Department of Energy?

MR. YOUNG: Good morning, Mr. Chairman and Commissioners. Matthew Young, on behalf of the Department of Energy. With me today is Stephen Eckberg, who is a Utility Analyst in the Electric Division.

The Department has no objections to CPCNH's intervention. And no objections to Exhibit 9.

But I would request that the Department's technical statement be marked as "Exhibit 10". And I do have paper copies printed out, if anybody should need one.

CHAIRMAN GOLDNER: Okay. Thank you.

And will the Department offer Mr. Eckberg as a witness today to speak to Exhibit 10?

MR. YOUNG: We were not planning on offering Mr. Eckberg. But, should the Commissioners have any questions, he is available to answer.

CHAIRMAN GOLDNER: Okay. Thank you. We may have some questions --

CMSR. SIMPSON: I'd take a paper copy, Attorney Young, if you would bring one to me please. Thank you.

CHAIRMAN GOLDNER: -- for Mr. Eckberg.

CMSR. SIMPSON: Thank you.

[Atty. Young distributing documents.]

CHAIRMAN GOLDNER: Okay. The Commission will now briefly confer from the Bench on the Motion to Intervene.

[Chairman and Commissioners conferring.]

CHAIRMAN GOLDNER: Okay. The Commission has ruled that the Community Power Coalition is granted discretionary intervention under RSA 541-A:32, Part II. For clarity, this intervention is granted to the Community Power

Coalition as an organization, and not necessarily to any member or client town or city associated with the Coalition. This ruling will be memorialized in the Commission's decisional order in this matter.

We may now proceed with the Company's case presentation by its witnesses, Mr. Littlehale and Ms. Chen, on the stand. Following direct questioning by Eversource, cross by the OCA and New Hampshire Department of Energy, Commissioner questions, and Eversource redirect, we'll provide an opportunity for the parties to make closing statements on the record.

Are there any other matters that require our attention today?

MR. WIESNER: I'll just say, for the record, we have no objection to the Department's technical statement being admitted as "Exhibit 10".

CHAIRMAN GOLDNER: Okay. Thank you. And Consumer Advocate?

MR. KREIS: We, likewise, have no objection.

CHAIRMAN GOLDNER: Thank you. Okay.

(The document, as described, was herewith marked as **Exhibit 10** for identification.)

CHAIRMAN GOLDNER: Very good. I think that cleans everything up.

Mr. Patnaude, could you please swear in the witnesses.

(Whereupon ***PARKER LITTLEHALE*** *and* ***YI-AN CHEN*** *were duly sworn by the Court Reporter.)*

CHAIRMAN GOLDNER: Thank you. Please proceed, Attorney Wiesner.

MR. WIESNER: Thank you, Mr. Chairman.

PARKER LITTLEHALE, SWORN

YI-AN CHEN, SWORN

DIRECT EXAMINATION

BY MR. WIESNER:

Q I'll turn first to Mr. Littlehale. And ask you, for the record, if you would please state your name and your title with Eversource?

A (Littlehale) Good morning. My name is Parker Littlehale. And I am a Manager of Wholesale Power Supply in the Electric Supply Department at Eversource Energy.

Q And what are your responsibilities in that role?

A (Littlehale) I oversee the process required to fulfill the power supply requirement obligations of PSNH, including overseeing solicitations for the competitive procurement of power for Energy Service, and supervising the fulfillment of related Renewable Portfolio Standard obligations.

Q And have you previously testified before the Commission?

A (Littlehale) Yes. I have testified before the Commission a number of times, including previously in this docket.

Q Did you file testimony and a corresponding attachment as part of the filing submitted by the Company on February 5th, which has been marked as "Exhibit 9"?

A (Littlehale) Yes, I did.

Q And was that testimony and supporting materials prepared by you or at your direction?

A (Littlehale) Yes.

Q Do you have any changes or updates to make?

A (Littlehale) No, I do not.

Q And do you adopt your testimony today as it was written and filed?

A (Littlehale) Yes.
Q Thank you. Now, turning to Ms. Chen. Could you please state your name and title with Eversource?
A (Chen) Sure. My name is Yi-An Chen. And I am the Director of New Hampshire Revenue Requirements.
Q And what are the responsibilities of that role?
A (Chen) I am responsible for the coordination and implementation of revenue requirements calculations, and regulatory filings, such as Energy Service for the Company.
Q Have you testified before the Commission previously?
A (Chen) Yes, I have, including previously in this docket.
Q And did you file testimony and a supporting attachment as part of the February 5th filing submitted by the Company, marked for identification as "Exhibit 9"?
A (Chen) Yes, I did.
Q Was that testimony and supporting materials prepared by you or at your direction?
A (Chen) Yes.
Q And do you have any changes or updates to make at

this time?

A (Chen) No. I do not have any corrections to make at this time.

Q And, therefore, do you adopt your testimony today as it was written and filed?

A (Chen) Yes.

Q So, with that introduction out of the way, I'll turn back to Mr. Littlehale, and ask if you could provide a brief summary of the Company's proposal to procure a wholesale power supply for 12 and a half percent of the Small Customer load obligation through direct market participation with ISO-New England?

A (Littlehale) Based on the direction of the Commission, the Company proposes to implement a market-based procurement to self-supply a portion of its Small Customer Group load, by having the Company assume responsibility for managing the relevant load asset in the ISO-New England wholesale power market.

These responsibilities will include scheduling the Energy Service load in the Day-Ahead Market. And, as we understand, the ISO prefers load assets with significant load to be scheduled in the Day-Ahead Market.

The load submitted to ISO-New England will be modeled by a third-party load-forecasting service engaged by Eversource. The forecast model is built using historical Small Customer Energy Service customer load data, and accounts for near-term weather forecasts. We propose to self-supply in that manner for a 12.5 percent tranche of Small Customer load, with suppliers managing the other 87.5 percent of the Small Customer load.

Under this approach, the Company will buy energy, capacity, and other wholesale market products and related services from the ISO Markets, including the Day-Ahead Energy Market and the Forward Capacity Market.

Q Does the company have concerns regarding the risks of direct wholesale market participation, and the impacts that might result for customers in the case of market volatility?

A (Littlehale) We do remain concerned that engaging in direct wholesale market participation to obtain even a limited percent of the Default Service energy supply will shift risks to customers that would otherwise be borne by third-party suppliers. Those risks include energy market price volatility and potential price spikes, as well as unforeseeable costs passed through to load-serving entities in the region.

These significant risks are currently assumed by the wholesale suppliers selected and approved through the RFP process. Under the limited direct market participation approach, customers will be fully exposed to those market volatility risks.

As we have noted before, the future is highly unpredictable, and energy markets may be quite volatile. Therefore, should future market-based costs prove to be higher than wholesale supplier bid prices, an under-collection my result, necessitating cost recovery from customers in the successive rate period. This unpredictability in market-based costs effectively shifts corresponding risks from wholesale suppliers to Small Energy Service customers.

Q Thank you for that summary. I'll now turn to

Ms. Chen, and ask how the Company proposes to develop the Energy Service rate, when a portion of the Small Customer load will be procured through direct wholesale market participation?

A (Chen) So, under the limited direct market-based procurement proposal, which was developed based on the direction of this Commission, the Company proposes that seven lowest-cost bids received during the competitive solicitation process will be selected, representing seven of the eight tranches for Small Customer load.

The single lowest-cost bid will then be replicated as Self-supply Tranche A, and the average of this eight tranches will serve as the foundational wholesale contract price for calculating the applicable Small Customer Energy Service rate for the relevant period.

In general, the energy service rate reconciliation process will continue to operate as it currently does, subject to certain differences noted in my profiled testimony. Those differences are not expected to have a significant impact on Energy Service rates, given the relatively small size of the total load that will be participating directly in the regional wholesale markets.

MR. WIESNER: Thank you, Ms. Chen. That's all we have for direct examination this morning.

CHAIRMAN GOLDNER: Okay. Thank you. We'll now turn to the Office of the Consumer Advocate.

MR. KREIS: Thank you, Mr. Chairman. I think I just have a question or two for Mr. Littlehale.

CROSS-EXAMINATION

BY MR. KREIS:

Q Mr. Littlehale, I just listened to your testimony, and it reprises some observations that you and Ms. Chen made at Page 5 of your testimony, which is Exhibit 9, if memory serves. And, so, I want to know, lately I've found it to be my lot in life to muse or obsess about the meaning of specific words that I thought had obvious meanings, you know, words like "launch", for example.

But, here, I'm focused on the word "risk". When you use the word "risk", do you mean -- and I'm talking here about your response to the question "Does ISO-New England market-based procurement effectively shift risk from wholesale suppliers to Small Energy Service customers?", and your answer to that question was "Yes", and then you explain why, both in writing and just now on the stand.

So, I guess what I'm trying to figure out is whether you see any risk of benefits accruing to customers as the result of being exposed to the wholesale market to some degree?

A (Littlehale) Yes. There is a potential for both additional savings, versus an accepted supplier rate, or additional costs.

Q Right. And, so, you chose to focus on the risk of additional costs being imposed on customers, small customers, and I share that concern.

But I'm wondering why you chose not to mention the upside risk? Is it because you perceive that upside risk to be insignificant, or less, say, than the risk of higher costs?

I'm just kind of curious. It would be helpful if you would put that in some perspective, about what you -- what your assessment of the upside risk is?

A (Littlehale) Well, I think, between the investigation by the Commission, where we provided historical costs, historical market-based costs, versus the Small Customer service rate, as well as the monthly reports that we have been filing, comparing the market-based costs to the wholesale -- the supplier rate, there is ample evidence that market-based costs have the potential to come in lower than the supplier rates that we've seen.

So, I think we have stated elsewhere that we see the data as well. So, it's clear that there -- you know, the data is showing what it's showing. And we understand that's the motivation by the Commission to pursue this limited self-supply.

We are just wanting to be crystal clear that, you know, the future may not look exactly as the past did. So, while there are opportunities to save customers money, it is -- it's our job, we believe, to ensure that we also make it crystal clear that there is the potential for market-based costs to come in higher. And you don't know the answer to that until after the rate term concludes.

Q And is it your sense that the purpose of default service is to insulate the Small Customer class from that kind of risk?

A (Littlehale) I'm not sure that's our job to assess. I think that's more of a public policy decision to make. Our job is to execute on the regulations and the Commission orders on how to procure default service in the State of New Hampshire.

Q So, what I hear you saying, though, is, basically, it's a version of "Past performance is no indication of future results", right? I mean, that's the familiar refrain that investors are told all the time when they invest their money?

A (Littlehale) I think that holds true.

Q So, in other words, your answer to these questions would be exactly the same a year from now, regardless of how this little experiment, should the Commission adopt it, turns out?

A (Littlehale) That would be reasonable.

Q Assuming no major changes in the way we structure wholesale electricity?

A (Littlehale) Correct.

MR. KREIS: Thank you. I think those are the only questions I have.

CHAIRMAN GOLDNER: Okay. We'll turn now to the New Hampshire Department of Energy.

MR. YOUNG: Thank you, Mr. Chairman. I just have a few questions. I think mostly for Mr. Littlehale, but I think either witness is free to answer.

BY MR. YOUNG:

Q So, the Commission directed the Company to submit a proposal for a 10 to 20 percent load requirements in the Day-Ahead or Real-Time Markets. And the Company is proposing to purchase 12.5 percent load requirements through the Day-Ahead Market.

So, I guess my first question is, could you describe, I guess, the 12.5 percent figure, and how the Company landed on that figure?

A (Littlehale) So, the Commission requested a proposal between 10 and 20 percent. Our Small Customer load has eight tranches. So, one of eight is 12.5 percent. Two of eight would be greater than 20 percent. So, --

Q So, essentially, the math just worked out?
A (Littlehale) Correct.
Q It made sense to just pick one of the tranches?
A (Littlehale) Correct.
Q And, then, could you explain a little bit on why the Company chose to go through the Day-Ahead Market versus the Real-Time Market?
A (Littlehale) So, it's our understanding, from working with the ISO, that significant load needs to be bid into the Day-Ahead Market. You know, one of the core functions of ISO-New England is to balance demand and supply on a daily basis. And the way that they do that is receive both demand bids and supply bids by 10:00 a.m., and the intersection of demand and supply, in any given hour, is what sets the Locational Marginal Price.

So, for example, just, you know, taking a -- looking at the ten-day forecast for Small Customer Service load, in the PSNH Small Customer load, it averages, you know, about 300 megawatts an hour. So, if even at 12 and a half percent of 300, we're looking at somewhere around 60 megawatts. So, if we were to not bid in that 60 megawatts in the Day-Ahead Market, the intersection of demand and supply would be different, and perhaps an alternative generator would therefore set the price.

We understand good utility practice is to ensure that that Day-Ahead load gets in, so ISO-New England can properly allocate for demand and supply, and the appropriate LMP is established for market efficiency purposes.

Q So, I guess to be clear, it sounds, and I think your testimony references that the ISO prefers significant load assets be scheduled in the Day-Ahead. But is that a -- is it a requirement or a rule?

A (Littlehale) I don't know if it's a requirement or a rule. Much of the proposal that we're presenting today is based upon the work that was required in Massachusetts and Connecticut over the past two years, where we had failed solicitations, because of either a lack of bids or bids that we deemed unreasonably high.

So, for -- out of necessity, we had to put together a self-supply plan when prices were at their highest. And, through that work, a lot of lessons were learned, that we're able to leverage and incorporate into the proposal that we have in front of the Commission today.

Q Okay. And I guess, in your experience, typically, is there much variation between the prices in the Day-Ahead Market versus the Real-Time prices?

A (Littlehale) Depending on, you know, if you averaged it out over a year, it's relatively small.

Q Okay. And, then, I guess to clarify, that is what I was --

[Court reporter interruption.]

BY MR. YOUNG:

Q That was what I was asking, sort of broad, over time.

A (Littlehale) But there can be significant differences.

Q Understood.

A (Littlehale) Depending on the timeframe you're looking at.

Q And the Company mentions a "third-party forecasting service" that will be used to develop the model for the load that's submitted to the

Day-Ahead Market. Is that a -- I believe that's a software, is that correct?

A (Littlehale) Actually, it's a model that's built by the third party that we've contracted with. And it's essentially using the very same data that we supply and produce on our website for our suppliers, so they can submit their bids to the default service solicitation. So, we're talking hourly load data. So, the third-party software -- or, forecasting service takes that information and builds a model. And we gave them multiple years, three to five years' worth of data. And they can use that to track, you know, historical consumption, trends in migration to competitive suppliers or municipal aggregators. And they build a foundation, they take into account weather, and we know weather is a very significant impact on near-term power demand. So, that's taken into effect. And, then, we continue to update and upload historical load on a regular basis. So, the model continues to, you know, be tuned to account for changing patterns in our Small Customer load consumption patterns.

Q Okay. I guess switching gears a little bit, turning to reconciliation.

So, am I correct in understanding that Eversource reconciles the Small Customers and Large Customer Groups separately, is that correct?

A (Chen) That's correct.

Q And, so, I think, from this proposal, it means that only the Small Customers will pay for any costs associated with the self-supply portion of the tranche?

A (Chen) That's correct.

Q Okay. And I think my final question, does the Company anticipate any impacts on the next default service solicitation from this self-supply, meaning would there be any impact on bidders? How would wholesale suppliers sort of view this proposal?

A (Littlehale) That's a difficult question to answer, because we have no, necessarily, ability to foresee how these types of things will impact different bidding patterns.

But, through the course of various investigations, and when we self-supplied in Massachusetts, for example, suppliers were able to comment on the Mass. Department of Public Utilities allowing us to self-supply or not.

And I think the general perspective that I recall seeing is the suppliers are not in favor of utilities self-supplying.

Q Okay.

A (Littlehale) Given that it's traditionally a function that they serve. But I'm summarizing their words that I saw, as opposed to any firsthand knowledge.

MR. YOUNG: Thank you. I think that's helpful.

The Department does not have any other questions for these witnesses.

CHAIRMAN GOLDNER: Okay. Thank you.

We'll turn now to Commissioner questions, beginning with Commissioner Simpson.

CMSR. SIMPSON: Thank you.

BY CMSR. SIMPSON:

Q So, you have self-supplied in Massachusetts before?

A (Littlehale) Yes. We self-supplied in Massachusetts, our NSTAR NEMA Industrial Zone, on two separate occasions, one at 100 percent self-supply and one at a 50 percent self-supply.

And the Company also self-supplied in Connecticut, both our standard service, which is equivalent to the Small Customer load here in New Hampshire, and our last resort service, which is similar to the Large Customers. We, on the Connecticut standard service, we served a 20 percent tranche, given failed solicitations that occurred during the height of the volatility.

Q Okay. So, NSTAR, you did 100 percent for what tranche?

A (Littlehale) It's called "NEMA Industrial". So, it's the equivalent to the Large Customers here.

Q And NSTAR, you did 50 percent for what?

A (Littlehale) Same, NEMA Industrial.

Q Different periods?

A (Littlehale) Different periods, correct.

Q Do you know the respective periods?

A (Littlehale) It would have been Q4 2022 and Q1 2023.

Q So, the 100 percent was --

A (Littlehale) Q2 -- sorry, Q4 2022, and the 50 percent was Q1 2023.

Q And what about CLP?

A (Littlehale) That would have been first half 2023.
Q And what's the group that you call that -- call it?
A (Littlehale) There is the "standard service", which is the equivalent to the Small, that was a six-month term. And, then, the "last resort service", equivalent to the Large Customers here. I believe that was a quarter, but I --
Q So, in Connecticut, how much did you serve of that Small Customer Group over the six-month period?
A (Littlehale) I believe it was 100 percent.
Q It was 100 percent?
A (Littlehale) But I'm working from -- I can look it up, if you need?
Q I'm just curious. You've articulated the risks that the Company perceives looking forward.
A (Littlehale) Yes.
Q So, I'm interested in the past performance. What were the bids you received for each of those, at the time, when you elected to self-supply, if any? And what were the results, in terms of the pricing the customers paid?

A (Littlehale) So, that would require a little work to pull that together.
Q Uh-huh.
A (Littlehale) I don't have those specific numbers in front of me at the moment. But what -- I can maybe speak in generalities.
Q Please.
A (Littlehale) That, you know, during the Fall of 2022, and it was in preparation of, you know, Q4 2022 and first half 2023, that was really the height of the volatility. So, what we were, you know, what we were seeing across the three states that we operate in was, number one, a reduction in bidder participation. And, then, furthermore, not only a reduction number of bidders, a reduction number of bids. And some of the bids that we did receive were significantly outside of our internal proxy price that we generate on bid day.
So, between the combination of not having any bids at all, and receiving bids, you know, minor amount of bids, that we deemed not competitive, between those two, there was the decision made to pursue, out of necessity, a

self-supply. And that process is not something that the Company had done since the 2014 timeframe, following the polar vortex.

During, you know, between 2014 and 2022, we had, you know, staff turnover, change in group responsibilities. So, we really had to, you know, redo and re-educate ourselves how to self-supply. And that was an extensive effort that we were able to implement successfully in both Massachusetts and in Connecticut. And, when I say "successfully", not -- that meant that, number one, we were able to, you know, ensure that our load was properly bid into the ISO-New England system, in order to allow ISO-New England to do their job of balancing demand and supply.

And, then, "successfully" would also extend to allowing Eversource to properly track the costs that we received, essentially, when we self-supply, those costs all come to Eversource, so we need to ensure that those are tracked properly.

And, given where the situation played out, with market prices coming in lower than, you know, the prices that were set in place of a supplier bid, we've been able to return dollars to customers in successive rate periods, because market rates came in lower than we anticipated, or than -- maybe than the suppliers anticipated, is probably a better way to put it.

Q Why didn't you share that experience in your written testimony?

A (Littlehale) No particular reason. I believe we have talked about it in these types of settings before.

Q And what, for the 50 percent NEMA Industrial Group, can you share what the six-month period price was that you paid into the market, compared to the actual 50 percent supplier bid price?

A (Littlehale) It would be a few minutes to put my fingers on it, but we do have that data.

CMSR. SIMPSON: If you could, that would be appreciated. And, really, what I'm asking -- and, before I continue, maybe we may take a break, and give him a few minutes to pull together some information.

And why I'm asking is because, along the lines that the Consumer Advocate raised, your testimony really articulates the downside risk, but you haven't shared any upside risk with us.

And I recognize that the term "experiment" is being thrown around with the request that the Commission made of the distribution companies. What I would say is that, the last couple of years that you've mentioned, where we've seen historically high supplier bid prices, have prompted us to reevaluate the processes that the companies use to procure default service, because, ultimately, that's what customers pay. So, we're looking for innovation. We're looking for a way to improve the process, recognizing that there's risk in any situation that we change here.

So, it would be nice, and appreciate if we could also see your past experience, what that upside risk might look like, and to understand the opportunity that could exist for customers. If you've projected what that downside risk looks like numerically, what the upside risk looks like numerically, we have done that. And we have some sense of it, but we would like to hear from the companies as well.

And we appreciate the proposal that

you've laid out. And I'm encouraged that each of the distribution utilities in New Hampshire have slightly different variations, because we get to see what will work and what may not work.

But, at least what's in front of me today, I just see a lot of downside, and no upside, though you're able to articulate it here on the Bench.

WITNESS LITTLEHALE: Okay.

CHAIRMAN GOLDNER: Mr. Littlehale, if it's just a couple of minutes, I think we can rest easy here and wait for you to do the research? But, if it takes more time, we certainly can take a quick break, and allow you to take your time to find the numbers?

CMSR. SIMPSON: I think I'd like a -- if we could take a five- or ten-minute break, I'd appreciate that.

CHAIRMAN GOLDNER: Okay. So, let's take a break now. And let's return at ten of. Off the record.

(Recess taken at 9:39 a.m., and the hearing reconvened at 9:53 a.m.)

CHAIRMAN GOLDNER: Okay. We'll go back

on the record with Commissioner Simpson's questions.

CMSR. SIMPSON: Thank you.

So, thank you for the indulgence, and doing a little bit of research.

BY CMSR. SIMPSON:

Q So, can you explain each of the groups and what the pricing ended up being, versus the bids?

A (Littlehale) So, here today, I can confirm that, in the two Massachusetts instances and the two Connecticut instances, --

Q Uh-huh.

A (Littlehale) -- the market-based costs, at the conclusion of the rate term, came in lower than the proxy rate that was set, and it was set differently in the two states. And, therefore, costs were returned to customers in a successive rate period.

Given the vast amount of data that's behind these numbers, we would need, you know, a few days, up to a week, to pull this together in a proper way, to ensure that I, number one, provide the most up-to-date information possible. I'm working off a hot spot on my phone, without

Wi-Fi. So, I want to be sure that I have the most up-to-date numbers.

There's also confidentiality that I wanted to ensure that I don't breach.

So, if you'd like to issue a record request that we can work on over the next week or so to pull this together, to ensure it's done properly. But I'm concerned about doing it on-the-fly here and providing inaccurate information.

Q Okay. Sure. I'll make it a record request. Can you provide an order of magnitude, versus the -- what resulted, versus what you had received for a bid? Was it half? Was it 20 percent less? Was it --

A (Littlehale) It was, given what happened, right, where last winter was a warmer-than-normal winter, there was a significant variation between the market costs and the proxy rate that was set, meaning market costs came in significantly lower.

But I'd rather pull the numbers together before I gave you any indication of what were -- what the magnitude was.

Q Okay.

A (Littlehale) But, you know, it was significant.

Q Okay. So, I'd like that for the two NSTAR procurements that you mentioned, the two CLP procurements that you've mentioned. And I'd like some information on the 2014 self-supply as well please?

A (Littlehale) That might be a little bit more challenging, but I will see what I can find.

Q Can you elaborate why that might be more challenging? I don't want to send you down a rabbit hole, if possible.

A (Littlehale) Yes. We, you know, did new staff, turnover, --

Q Okay.

A (Littlehale) -- who --

Q Okay. All right. Well, what you can provide for 2014 will be appreciated. But, if you can speak to the NSTAR and the Connecticut Light & Power procurements, that would be helpful.

I think earlier you mentioned that only the Small Customer Group will pay the costs of the self-supply option, correct?

A (Littlehale) Yes.

Q And it will only be the Small Customer Group that receives any benefits, correct?

A (Chen) Correct.

Q Okay. Does the Company feel equipped to maintain this relationship with ISO-New England in the interest of New Hampshire Small Customer Group customers?

A (Littlehale) When you say "maintain", can you clarify that?

Q Facilitate the mechanical day-to-day activity with ISO-New England, --

A (Littlehale) Yes.

Q -- you know, fund your settlement account?

A (Littlehale) Yes.

Q Okay. And I think this morning I counted sixteen communities in New Hampshire that voted to approve community power procurements just from CPCNH. Can you speak to how you view the self-supply opportunity interplaying with the attrition of your default service load to Community Power?

A (Littlehale) In what regard? Is your question --

Q How do you view the business of serving default customers evolving, and given your actual experience in other states with failed solicitations and uncompetitive solicitations, do you see any experience that you've gathered in those other jurisdictions that might influence your process here in New Hampshire, as you see load moving away from the utility, to a competitive supplier or community aggregation?

A (Littlehale) From our perspective, we're agnostic. We will serve the megawatt-hours that remain. And, you know, we've seen about roughly a million megawatt-hours migrate to municipal aggregation since it began, meaning we were serving about four million megawatt-hours a year, and we're like at about three million megawatt-hours, roughly, is the most recent data that I've seen.

So, from that perspective, you know, we're here to serve the customers that remain.

CMSR. SIMPSON: Okay. All right. I don't think I have any further questions. Appreciate you taking the time to share your past experience, so that we can learn from other states who have had the utility self-supply through the ISO-New England Market, and look forward to reading your response.

CHAIRMAN GOLDNER: Okay. We'll turn now to questions from Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: Feel free to answer, you know, based on whoever is more appropriate, in terms of where my questions are going.

BY CMSR. CHATTOPADHYAY:

Q So, let's first talk about the decision to go 12.5 percent. There's nothing that would have stopped you to also consider, let's say, if you went 20 percent, the rest of the load could have been split up into eight tranches, right?

A (Littlehale) Conceivably.

Q Or, even going 10 percent, and then splitting the 90 percent into eight tranches?

A (Littlehale) Immediately, there's nothing coming to mind. We read the request as "somewhere between 10 and 20", and one of eight is 12 and a half percent. So, we felt that was within the directive of the Commission.

Q Okay. Can you tell me how much is 12.5 percent of the residential load, as a percentage of entire New Hampshire load?

A (Littlehale) Well, --

Q And, when I say "entire New Hampshire load", I mean all utilities, you know, like the State of New Hampshire. If you have it?

A (Littlehale) I don't have it off my immediate fingertips. We could probably, if we use the -- if we use the sheet, the sheet that we've been using to compare costs over the past six months, so that's the Wholesale Market Price Comparison table, we could probably back into it, if you wanted to look at that, if you wanted to look at that attachment, that filing.

Q Can you -- should we wait for a response that would require more days or can you come up with a number right away?

A (Littlehale) Well, I think we could probably come up with a number relatively quickly. So, do you have that file in front of you?

Q No. But can you -- let me go there. Can you tell me the date again, just to make sure I have it?

A (Littlehale) So, we filed the most recent one on February 27th.

Q February 27th. Hopefully, I'm looking at the right docket, and sometimes -- oh, I'm in the wrong one, sorry.

Can you -- again, so, it's -- you said it was filed on the 27th?

A (Littlehale) 27th, that's right.

Q In this docket?

A (Littlehale) In this, right. It's the comparison, at the Commission's request, to file the Wholesale Market Price Comparison table, versus the Energy Service rate that was set on June 15th for August through January 2024.

Q Yes. Go ahead.

A (Littlehale) Okay.

Q Yes.

A (Littlehale) So, if we look at the Table 1, the "New Hampshire Wholesale Load Cost Component" table?

Q Yes.

A (Littlehale) And, if we look at Row H, "Real-time load obligations" of New Hampshire. So, for the six months, August through January 2024, New Hampshire load was "5,703,663" megawatt-hours.

Q Okay.

A (Littlehale) If we look at Table 2, "Small Customer Retail load actual", so that's Row a, Small Customer load in New Hampshire, of PSNH, was "1,315,416". So, if we take 12 and a half percent of 1,315,416, that's about 164,000 megawatt-hours. So, 164,000 megawatt-hours is 2.8 percent of the 5.703663 New Hampshire load obligation.

Q Okay. Thank you. So, I'm going to go to some questions on the third-party vendor.

So, you already have a third-party vendor that does the forecasting, right?

A (Littlehale) That's right.

Q So, in your testimony, Bates Page 007, Lines 13 through 15, you have "For example, the third-party vendor that assists with forecasting our loads would cost approximately $20,000." Is that incremental?

A (Littlehale) That's the PSNH Small Customer model.

Q But you already have that model, you're paying them already?

A (Littlehale) So, going back to our -- going back to our experiences in Massachusetts and Connecticut, as those solicitations failed, we contracted kind of one at a time. Right? First, it as NEMA Industrial model that failed.

And, then, if you recall, we had a situation in the RFP in New Hampshire, where we had our Large Customers, we received one bid, but not a second bid. So, there was that point in time that we needed to run a second RFP. And we were able, through that second RFP, to identify a bidder. But we had to contract with a third party, in the event that the second RFP failed.

So, now, we're up to two models with the load forecasters. Then, we had the situation in Connecticut. So, we added a third and fourth model.

Those initial contracts came up for renewal, because they're one-year contracts. So, at that time, we expanded the relationship with the forecasters, to essentially cover all contingencies across the states, in preparation of future self-supply.

So, at that point, you know, everything, all the regions that we cover -- or, that we serve is now covered by this third-party vendor, in the event that we need to immediately self-supply.

So, the 20,000 is incremental, and accounts for the PSNH Small Customer share, or of the Small Customer model.

Q But, if we were not going to self-supply, you would still be spending that money, that's what I'm --

A (Littlehale) That's right.

Q So, it's not really incremental in that sense.

So, I understand that the way you are going to approach the self-supply piece, in terms of locking in a price, that would be set. So, you have based it on the least-cost tranche. And, in your examples, you went through it, so you're going to go with seven tranches, you will have suppliers provide it. And, then, the least-cost tranche essentially would be, again, bought through self-supply separately, that's how it's being modeled.

In terms of your experience in Connecticut and Massachusetts, when you faced that reality that you have to go to self-supply, what approach did you use?

A (Littlehale) So, it was different in each state. But, in Massachusetts, the solicitation that failed was our NEMA, Northeast Massachusetts, that was the region that failed in both instances.

On the same day that we procured NEMA, we also procured SEMA. We did have successful bids for SEMA on that very same day in both failed solicitations. So, our recommendation to the Mass. Department of Public Utilities is we use the accepted SEMA rate as a proxy for the NEMA rate. So, that's how it was handled in Massachusetts.

In Connecticut, standard service, so, the small customers, there was ten tranches in Connecticut. During the last opportunity to buy Tranche 9 and 10, instead of not getting bids too high, what was used was the 8th and final accepted bid was used as a proxy for Tranche 9 and Tranche 10.

So, you know, again, difference in each state. And what our proposal in New Hampshire, instead of using, say, the 7th, which would have been equivalent to what we did in Connecticut, use the 7th accepted bid, you know, our recommendation is to use the lowest accepted bid here in New Hampshire, because, you know, it's, you know, as we've discussed previously, forecasting future wholesale power prices is difficult to do, and especially in a market such as ISO-New England that is prone to significant price volatility.

So, it's the perspective of the Company that using the single lowest-cost bid received as the price for the self-supply, "Tranche A" is what we're calling it, which would then be averaged with the seven selected bids, strikes a balance between reducing supplier risk premiums charged to customers, and the potential forecasting error of underestimating wholesale power price levels during the immediate rate period. So, if we overestimate wholesale price levels, then those savings will be returned to customers in a successive rate period.

But, if we underestimate wholesale power price levels, then those dollars will have to be collected from customers in a successive rate period. And it's our obligation or it's our desire to avoid the latter whenever possible.

Q Would you agree that, even if it's the lowest bid, because it is a bid from a supplier, that includes risk premium associated what the supplier estimates is relevant?

A (Littlehale) Yes.

Q And the moving away to self-supply directly, for the ratepayers, is essentially saying "We don't have to deal with that risk premium." So, I am -- I'm not sure why, even as you suggested, I understand the point of going from the 7th to the 1st tranche, but it still includes risk premium that the suppliers are reflecting.

And, so, I am curious whether you follow NYMEX futures? Do you have easy access to what the NYMEX rates are?

A (Littlehale) Yes.

Q And, if I -- I know that that is something that I may have seen in an Eversource docket, some other docket, I think it was the Burgess docket, where that's being used. And, then, the other component of the ISO Markets are being added to that futures number. There the price is a lot lower than what you have assumed, or you expect it would be, based on how this is being considered here. So, I just wanted to flag that.

And can you tell me whether it's going to cost you a lot of money to get the NYMEX --

A (Littlehale) No.

Q -- futures?

A (Littlehale) No.

Q No. Okay.

A (Littlehale) We have access to NYMEX. And, you know, frankly, we contemplated that. It's not just NYMEX, though, because NYMEX is energy only.

Q And that's why I mentioned there are other elements --

A (Littlehale) That you would need to build up energy, --

Q Yes.

A (Littlehale) -- capacity, ancillary, *et cetera*. So, that's an approach that, if we're directed to do, we can do.

The point that we're trying to make is that, that whatever that results, call it kind of "building up from the bottom up", that's going to be wrong. So, that could be higher or that could be lower. But you don't know until after the six-month term.

Q Can you tell me whether things will be different, if you used your approach, in terms of, you know, that, ultimately, the prices are going to be wrong?
A (Littlehale) Yes. Everything is going to be wrong, right? And there's no -- unless you get lucky.
Q But do you agree that in this you're also capturing the risk premium that the suppliers are adding?
A (Littlehale) I agree. And the reason we selected -- and the reason we recommended the lowest is because that's the tranche that has the lowest premium baked into it.
Q Are you aware, have you looked at the other rate -- sorry, other utilities' filing, in terms of what they are suggesting they would do for default service procurement for the self-supply piece?
A (Littlehale) Yes. We looked, you know, generally. I can't say I've studied them in every bit and piece of it, but, generally familiar with the various proposals.
Q If I told you that they had used NYMEX futures

there, would it surprise you?

A (Littlehale) It would surprise me if they're just using NYMEX forwards. It would not surprise me if they were layering other --

Q Again, I think you may have not heard me properly. Right at the beginning I said "There are other elements of the ISO-New England Market that gets added to it." So, you're just repeating something that is not, you know, worth repeating, because it's -- I understand that point, what you're saying.

But they did exactly that. They estimated the energy piece based on the NYMEX futures, and then they added the other elements to it to get the price.

This is just out of sort of curiosity, and I'm going to probe it a little bit. The reconciliation charge is being calculated every year, correct?

A (Chen) Correct.

Q So, I'm curious, what are the limitations of moving to setting reconciliation charge every six months, though still setting rates to allow recovery over the following twelve months?

So, more like, as an example, sorry, as an example, you may not wait till August, but you actually recalculate the reconciliation charge after six months, but still base it on a twelve-month recovery period.

Is that a difficult thing to do? Like, what are the limitations?

First, you followed my question, right?

A (Chen) I do, yes. Right at the moment I don't think there is the limitation or challenges to do so. So, that's -- I don't think there is anything preventing us from doing that. It's more of a more frequent reconciliation, versus a once-a-year reconciliation.

Q If it would require a tariff change, though, right?

A (Chen) Yes. So, it's probably more of an administrative frequency type of situation.

And, if I can just add a little bit more. So, the way -- so you understand, Commissioner. So, the reconciliation, how it works, either is like six-month period or the one-year period. At the end of the day, it's going to be the same, if we look at twelve-month period. So, --

Q Correct.

A (Chen) Yes. It's just that, whether or not the customer would see the six-month rate change versus a one year.

Q It would be -- it would be a way to recover the costs sooner to deviations, and yet you would still be projecting twelve months as a recovery period. It's just that every six months you would have this recalculation and you can recover the differences.

And I'm not sure whether, you know, you, I mean, as an economist, I would say that that is an attempt to align the rates and the costs better than how it is being done right now. So, that's why I'm asking that question.

A *[Witness Chen indicating in the affirmative].*

CMSR. CHATTOPADHYAY: And that's all I have for now. Thank you.

CHAIRMAN GOLDNER: Okay.

BY CHAIRMAN GOLDNER:

Q I'll just start with, I'm looking at the Wholesale Market Price Comparison table filed by the Company on February 27th. Do you have that in front of you?

A (Littlehale) Yes.

Q Thank you. So, and I appreciate the clarity of the tables, it's easy to follow. And you even highlighted the apples-to-apples comparison between Table 1 and Table 3, which shows the difference, I think, between the market price, had the Company gone directly to the ISO-New England Market, or, as you term it, I think, "self-supply", of "$48.70", and none of these numbers are confidential, with Table 3, which is the price the customers actually paid, which was "131.80". Is that so far so good?

A (Littlehale) That's correct. And that's exactly why I highlighted it, because we discussed previously "what's the right numbers?" A lot of numbers on this table.

Q Yes. And thank you for that.

[Court reporter interruption.]

CONTINUED BY THE WITNESS:

A (Littlehale) I want to be crystal clear what I think are the two numbers to compare.

BY CHAIRMAN GOLDNER:

Q Thank you. That is very helpful. And you highlighted before, you know, reasons why the delta was large in that particular time period, being a mild winter and so forth.

I then went back to the IR docket, IR 22-053, and compared, in that docket, the staff did that same comparison, in this case just looking at the apples-to-apples energy prices. And it -- in that docket, the data shows it going back to April of 2018. In no six-month period has the ISO-New England price been greater than the -- than the third-party price. In other words, the ISO-New England price was always less than the price the customers paid for that energy.

So, the reason I go through all that is that, you know, it's true that we have a very detailed accounting of the prior six-month period, which is extremely helpful, showing all the details. It's also true that that analysis, going back to 2018, consistently shows that the ISO-New England energy price is less than -- is less than the third-party price.

So, I think that's an important sort of

overall context for the problem that we're trying to solve here, which is, you know, "how can we get lower prices to customers, if possible?"

I want to cover a couple other topics, though, on the same -- in the same area. Are you two following the Eversource/Burgess docket?

A (Littlehale) I am familiar with it.

Q Okay. And the reason I ask that, and Attorney Wiesner can correct me if I get this wrong, because I know you're representing the Company in both dockets, the forecast there was under $40 a megawatt-hour for 2024 for the energy price. And, so, it seems to me that, if the Company represents or believes that that's the appropriate energy price, taking that, adding in the adders that you were talking to Commissioner Chattopadhyay about, which are roughly $10 a megawatt-hour, you would get something like $50 a megawatt-hour for sort of a rational I'll call it "self-supply" price for the upcoming period.

Would the Company have any objections to that kind of approach in the upcoming period?

A (Littlehale) So, without having those specific numbers in front of me, if, you know, we understood to put together a proposal to self-supply. We believe that the lowest-cost accepted bid represents a reasonable proxy, and balances the risks that are involved here, and provides immediately rate relief to the current rate period, while reducing the likelihood of an under-collection.

If the Commission would like us to build up a proxy rate from the bottom-up, using up-to-date forward energy, forward capacity, an estimate of ancillary services, we can do that.

Q Okay. Thank you. And I'm just layering on the other Commissioner's questions where, if you're using, as Unitil did, the NYMEX price for the energy piece, you're doing your estimates to figure out what all the other pieces are with capacity and so forth. It seems like that would give you a reasonable proxy, with all the risk premiums and everything else subtracted out, it would give you sort of a reasonable view into what you can expect for the upcoming period.

Would you agree with that or disagree with that?

A (Littlehale) It's as -- it's reasonable on the day that the price is put together. And, then, the next day it could look very different. So, --

Q I think you have a lot of experience forecasting. And, so, I think there's a couple different forecasting methodologies one can use. One can look backwards, and use trends and least squares, and so forth, to sort of figure out what something should be in the future by looking backwards, and one can look forward. And, so, I would say either methodology has its pitfalls and its benefits.

But I would be comfortable looking backward, and an ISO-New England price that roughly averages about $40 a megawatt-hour for the last, you know, five or six years, or using a NYMEX futures, which does give you a future view that's representative of the market. Now, the NYMEX futures also has some risk premium in there, but at least it's less of a risk premium than you're getting from the third-party suppliers.

So, I think what at least I'm trying to ask, and I think the other Commissioners were trying to ask as well is, is how do we get to a price that has a lot of these premiums, you know, culled out of it, so that we can get to some kind of price that would be representative of where the market will land at the end of the six-month period.

So, I guess, would you like to weigh in on the using the past prices and some kind of trending there, or the NYMEX futures, as to which one would be preferable?

A (Littlehale) Preferable would be to use the NYMEX as the foundation.

Q Okay. Thank you. Okay. So, I think there was -- I want to go next to this risk/reward, I think of "risk" on the downside and "reward" on the upside, but I think the word "risk" is being used on both sides today, which I'm just thinking of it maybe as "risk/reward".

And I want to go to the current model, which is we have these third parties that are coming in and providing bids, eight bids in your case. And they have a business. And, so, ostensibly, they make money at their business. So, they're charging, we sometimes call it a "risk premium", but, really, the company has to cover that, plus the company has to make money.

And, so, you would agree with that so far, right?

A (Littlehale) I would agree that that is their intention to.

Q Nobody goes into a business looking to lose money. So, one would assume that that's their business model.

And, so, they're making a profit. And I think you would agree, but I don't want to put words in your mouth, but that profit has to be paid for somewhere in the food chain. And, ultimately, that profit is paid for by ratepayers?

A (Littlehale) That's correct.

Q Okay. Okay. Thank you. Next question is, so, you have eight bids that you're planning on accepting -- actually, seven you're planning on accepting, with the eighth bid being ISO-New England. If it came back, and there were a few bids, or I guess even all seven bids, that the Company found were unreasonably high, the Company would then go to the self-supply model at that point, right, just as you did in Massachusetts and Connecticut?

A (Littlehale) That's right. Now, the only exception being or the only other contingency is holding a -- running a second RFP. And, so, if you recall, when we, and it would have been in late 2022, I believe, when we didn't get a second large bid, we ran a second RFP, we called it a "lightning round RFP", and we ran that. And we were able to identify a bid 30 days later.

Massachusetts has laddering. But, as part of their docket, it's 23-50, investigating similar topics that we're discussing today, they would like us to run a second RFP, if there's another RFP between the failed RFP and the start of a rate period.

So, either self-supply or a second RFP would be two possible paths in a failed RFP situation.

Q Okay. And does the Company have a preference for which process would be preferable?

A (Littlehale) Well, we can do both.

Q Okay. Okay, thank you. And I wanted to get your comments, too, on community aggregation. So, in order for the community aggregation to go forward in New Hampshire, the community has to have a lower price than the Default Service price from, in this case, Eversource.

Can you walk me through how that's possible? I'm just thinking, Eversource is one of the largest utilities in the Northeast, tremendous market power, tremendous sophistication, in terms of the models and everything that the Company does. And how can, you know, the Town of Littleton secure a lower price than a very sophisticated company, like Eversource?

A (Littlehale) Well, Eversource is following an approved default service procurement process, which, you know, specifies when we purchase, it specifies how we purchase, it specifies characteristics like, and, for example, no laddering, or, you know, no laddering of contracts, no hedging of contracts.

So, I can't comment on what the Town of Littleton is doing. But what I can comment on is that we're following an approved procurement process, approved through statute and approved through Commission orders.

Q And I think that's what we were trying to bring to here was an opportunity to improve the process. So, if the Company had ever suggested, in the IR docket or in this one, that they preferred to use a hedging or a laddering strategy, or self-supply strategy, or anything else, the Commission I think was open to -- open to the Company's input, both in the IR docket and here.

So, I'll maybe provide another opportunity. What would the Company recommend that the Commission do in order to improve or lower prices for ratepayers?

A (Littlehale) I guess I'd come back to the same statement I just made. It's our job to follow the procurement processes that have improved through the process of the Restructuring Act and Commission orders, *et cetera*.

If, and, you know, the general consensus around default service is to provide a backstop to the market. Right? If customers are interested in a generation service supplier that ladders, that hedges, that takes different types of risks, those opportunities are available to customers through either a competitive supplier or perhaps and/or municipal aggregation.

Q So, if the Commission determined that an increase in the self-supply would lower prices for ratepayers at an appropriate risk/reward trade-off, the Company would -- I think you just said the Company would have to objection to that, because, as you said, that your stated purpose is to follow through on the Commission orders and execute as best you can?

A (Littlehale) Yes, I wouldn't maybe use those exact words. I think that, if we're ordered to self-supply, one tranche, two tranches, three tranches, we will do so.

And, you know, if you're not crazy about our proposed plan of using the lowest accepted bid as our self-supply proxy, then, you know, we can do an alternative approach.

What we're trying to do through testimony and discussion today is appropriately flag the risks, that we could very well be in a situation where, if we set the self-supply rate too low, market costs are going to -- could come in higher, and those costs will need to be recovered through customers in the successive rate period. And we want to ensure that those, you know, everybody is on the same page and is clear about that. And that would add costs to a future bill. And our concern would be around any disallowance that would fall at the behest of the Company.

Q And I think, actually, the higher the amount of self-supply, the lower the sort of marginal cost would be, because you would be spreading a fixed cost over a larger loading. Is that -- would you agree with that?

A (Littlehale) I'm not sure I quite follow your take.

Q So, if you have -- so, today, you're doing 12 and a half percent.

A (Littlehale) Yes.

Q If you were to increase that to, say, 25 percent, or some other percentage, I think what you said, I might have misunderstood you, is that there are some fixed costs that you're having to spread across that 12 and a half percent. So, if you increased it to 25 percent, you could spread those costs over a larger domain?

A (Littlehale) And the fixed costs being the cost for the model, for example?

Q Yes. Any other fixed costs.

A (Littlehale) Yes. I mean --

Q You mention in your -- I'm sorry for interrupting. You mention in your testimony there might be additional people, there were other sort of caveats in your testimony.

A (Littlehale) That's right. And I think, if we do incur those costs, they would, you know, be unitized across a larger base. But, you know, what we state in our testimony is, at 12 and a half percent, you know, we have the costs for the model. You know, there could be some staffing, but unlikely at 12 and a half percent.

But, if you climb up and, you know, -- oh, excuse me. Other things are going on in other states. So, you know, it could change the functionality of the group, you know, over the next couple of years.

Q Okay. Thank you. Did you have a chance -- this question was sort of asked a little bit earlier, but I wanted to maybe be a little more specific.

So, Liberty's filing had a proposed call option, a very specific addressing of the issue of some kind of cost spike. Has Eversource looked at that, and does Eversource have an opinion on that kind of risk reduction methodology?

A (Littlehale) Yes, we read the Liberty proposal. I'm not entirely clear on what it would entail or what it would cost the utility, and, ultimately, its customers. Eversource does not have a market trading desk that is prepared to execute that type of strategy.

We believe that it's both simpler and more consistent with direct market participation for the Company to function solely as a price-taker in ISO-New England Markets, and not engage in hedging strategies or otherwise try to beat the market or impose artificial constraints.

This is an approach that we believe is more consistent. And, you know, like I talked about earlier, there's other players in the market, if customers want to deploy those types of strategies. So, --

Q Okay. Thank you. Just a couple of questions to wrap up here. And, then, I'll ask if my fellow

Commissioners have any additional questions.

The word has been used, not by Eversource, I think, but by another party, as an "experiment". But I don't think it is an experiment, because the Company has done this before, this, I guess, self-supply, going directly to the ISO-New England Market. So, it wouldn't be an experiment in New Hampshire, it would just be implementing something you've already done elsewhere?

A (Littlehale) Yes. I don't want to get into -- in the middle of a debate about the word "experiment".

But we can be clear that this, what we're recommending here in New Hampshire, is the process that we followed and executed in Massachusetts and Connecticut after we had failed solicitations.

Q Okay. Thank you. And just one other, maybe technical question, and then I'll stop.

So, has the Company done any sort of detailed analysis, maybe by looking back at history, in terms of price spikes, and the effect that that has on the six-month price?

Because, when I look at a spike of, you know, $1,500 a megawatt-hour, or even $3,000 a megawatt-hour, over a few hours, and you look at that sort of across the six-month time period, it doesn't really affect the final outcome, because there is so much spreading across six months for a short-term price spike.

Have you -- has the Company looked at history, and can you provide anything to the Commission that would help us understand any Company concerns relative to price spikes and how they spread over a six-month period?

A (Littlehale) Nothing specific is coming to mind. But the region has experienced significant price spikes. I mean, whether it's 2022, 2023, 2014, depending how far you want to go back. More often than not, they're weather-driven.

But at the foundation of it is the roughly 50 percent reliance on natural gas-fired generation. Not enough infrastructure to get the natural gas here during winter to run the power plants and heat the homes and the businesses, and that's why global LNG is needed to balance demand and supply. And the global LNG price can be very different than the domestic natural gas price.

So, you know, markets are reflective of the underlying conditions of the region. And it's our view that that's the heart of it, that's the heart of the price spikes, you know, weather-driven, in response to infrastructure and the roughly 50 percent reliance on natural gas-fired generation, and LNG to balance that demand and supply.

Q And maybe my perspective is a little different, because I'm thinking of it as sort of the law of big numbers. You know, right now, I think the ISO-New England price is $19, right? So, sometimes it can be negative, it can be low, it can be high, lots of things can happen, good and bad.

But, in the IR docket, what it showed was that, you know, things balance out. And, in the end, the third parties are charging a lot for their service. And the law of big numbers seems to spread everything out. And it spreads it out even further, maybe, than first might be perceived, because, you know, customers are going to get, in this model, the one we're talking about today, a fixed price over that six-month period, same as they do today, any over or under gets corrected over a twelve-month period. So, in a way, you have like an eighteen-month averaging period, where any perturbations can get -- can get leveled out. So, if you do have a big spike, you know, the odds are that's also offset by some lower demand elsewhere. And, over the long term, you get to a place where things are pretty stable.

That's how I think of it. But, Mr. Littlehale, before we part today, I'd like to get your thoughts on the laws of big numbers as well?

A (Littlehale) It could work out that way. But, and recent data suggests, and, you know, to the point, you know, about our testimony only highlighting the downside, we did reference the docket, the investigative docket, and how, you know, data back to 2018 shows that market costs have come in lower.

So, you know, we share that, we share the similar view on the data.

Q Okay. Thank you.

A (Littlehale) And we're just trying to caution that, just because it's happened, that there very well could be an event or a rate period that the results flip. And we're trying to make sure everybody is aware that that can happen, and that those costs will ultimately have to be recovered in a future rate period, adding an adder.

CHAIRMAN GOLDNER: And I understand the logic. And the only thing I'll say about that is, I understand the Company's conservatism, in terms of trying to make sure everyone understands the downside.

You know, if an engineer builds a bridge, and it falls down, he gets fired. But, if the bridge stays up, it's what he was supposed to do.

So, I understand the perspective. But I think what we're trying to do is balance everything out here. And I think it looks like there may be some opportunity for ratepayers to benefit from a different model than the one that's been used over the last many years.

Okay. I'll pause there, and ask Commissioner Simpson if you have any additional questions?

CMSR. SIMPSON: I don't have any further questions. But I am appreciative of the opportunity to ask these witnesses questions and their engagement today. Look forward to reading your response, as you compile data for Massachusetts.

But we definitely hear you. We appreciate your input. Thank you.

CHAIRMAN GOLDNER: Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: I have a very quick one.

BY CMSR. CHATTOPADHYAY:

Q Do you agree that averaging of rates, the energy supply rates, and also the reconciliation charge, which is also averaged, they help in at least partly dealing with the volatility?

From the rate -- from the customers' -- from the end-customers' point of view?

A (Chen) I wanted to make sure that I understand your question, Commissioner. So, are you referring to a shorter period, for example, a six-month period, versus a twelve-month period, or just in general?

Q No. In general, as you have proposed, even under that, do you agree that this averaging of the rates, whether it's the energy supply rates or the reconciliation charge, that helps in dealing with the volatility, at least partly?
A (Chen) Yes. I would agree with that, yes.

CMSR. CHATTOPADHYAY: Okay. Thank you. That's all I have.

CHAIRMAN GOLDNER: Okay. Thank you. Let's turn now to Eversource redirect.

MR. WIESNER: So, I think I just have a few questions, primarily for Mr. Littlehale.

REDIRECT EXAMINATION

BY MR. WIESNER:

Q In connection with the Company's RFPs on a biannual basis -- semi-annual basis, the Company prepares a proxy price in order to compare the bids received to the proxy price as calculated, is that correct?
A (Littlehale) That is correct.
Q And the proxy price, the foundation for that, on the energy side, are the Forward Market prices, as seen through the NYMEX futures that we discussed this morning?

A (Littlehale) That's right.

Q And, in addition to that, the capacity price will be known for that period of time, is that also correct?

A (Littlehale) For now. The ISO-New England is currently using a three-year Forward Capacity Market. There are discussions in the various committees to move to perhaps a -- what they call a "prompt-seasonal".

So that -- so, yes, that's true currently, but that may change in the future.

Q Okay. Thank you for that clarification. And, then, in addition, in calculating the proxy price, there's also the sort of "risk premium" factor, which is based on the Company's historical experience with supplier bids, is that also true?

A (Littlehale) That is correct.

Q Okay. And, so, I think we've established in prior hearings in this docket that the risk premium covers a whole bunch of things, including the supplier's estimation or accommodation, if you will, for other market products and potential costs that it might have to pay through the ISO, including ancillary services, such as reserves, and other costs that may be passed through, such as the Mystic Cost of Service Agreement costs or the new Inventoried Energy Program cost, is that fair to say?

A (Littlehale) That's right. We tried to estimate a, you know, a full-service bid, which includes all those various aspects.

Q So, the "risk premium" that we often speak to here includes, let's say, the supplier's estimation of those additional costs that it would be charged by the ISO, as well as profit, and as well as, let's say, other risk factors, such as potential load migration to suppliers or community power aggregations?

A (Littlehale) That is correct.

Q Now, if the Company were to try to estimate what future market prices and costs would be, it would presumably look to include some sort of an adder, that might not be equivalent to the historical risk premium charged by suppliers, but would still be greater than zero, is that fair to say?

A (Littlehale) Yes, that's correct. Because, if you just include energy and capacity, you're not -- it's no longer an apples-to-apples comparison. So, you need to have some sort of an estimate of things like ancillary services, and other charges from the ISO, to make it more reflective of what it costs to self-supply.

Q And that's true even if the Company is a price-taker as proposed?

A (Littlehale) That's correct.

Q And that "adder", if we can call it that, would not include profit, of course. It would probably not include a risk premium for load migration, is that also fair to say?

A (Littlehale) That's fair to say.

Q But it would cover those other costs that might be directly passed through to the Company through the ISO Market Settlement system?

A (Littlehale) Right. And, clearly, it would be an estimate, because it's very difficult to forecast those costs to any reasonable degree.

Q And, with respect to the forward energy prices, such as the Company has historically used in developing its proxy price, for comparison of bids as received from suppliers, those forward energy prices, is it fair to think of those as the market's best guess of what future prices will look like on a given day?

A (Littlehale) Yes.

Q And as, I think, as you testified, the next day or a week or a month later, those numbers could look quite different?

A (Littlehale) Correct.

Q And, so, any rate that is constructed, based on the Company's best estimate using forward pricing as in effect at that time, is likely to be inaccurate, just because reality turns out to be different, whether higher or lower?

A (Littlehale) Correct.

Q Thank you. And I want to explore just briefly the difference between the Day-Ahead and Real-Time Market. In addition to the ISO preferring that utilities with a sizable load, such as Eversource, participate in the Day-Ahead Market, and not rely solely on the Real-Time Market, which I believe is your testimony, is it also fair to think of the Day-Ahead Market as another means of risk mitigation for load-serving entities, versus the unexpected events that may occur in real time that could result in at least

short-term price spikes?
A (Littlehale) Yes. So, if you, for example, bid in 100 megawatts in the Day-Ahead, and those -- and it turns out that it's 100 -- your load is actually 101, then your initial 100 is covered at the Day-Ahead price, but then the one megawatt differential is exposed at the Real-Time price.
Q And the Real-Time price could reflect real-time operating conditions that were not anticipated and could not have been anticipated the day before?
A (Littlehale) Correct.
Q Just as a generation unit tripping off line or a transmission line going down, imports being called back by the adjacent controller?
A (Littlehale) Correct.
Q Thank you. And, finally, I think, the third-party vendor software that the Company uses for load forecasting, I think that's based on historical data, is that right?
A (Littlehale) That's right. It's the same historical data that we publish for suppliers to inform their bids.
Q And does that include any type of forecast of

potential load migration, for example, due to the increasing prevalence of community power aggregation in the state?

A (Littlehale) Well, because we continue to populate the model, the forecasting model, with actual data, the forecasting model gets an understanding as load migrates off PSNH Small Customer load. So, it picks it up, and continues to be fine-tuned every time we upload a new batch of data to it.

Q And, to the extent that drives Day-Ahead bids, as with anything else, even with a 24-hour timeframe, it's just a prediction, and the actual load may come in higher or lower, is that right?

A (Littlehale) That's correct.

Q And those differences, that balancing, if you will, is what occurs in the Real-Time Market, subject to whatever Real-Time prices are in the relevant hours?

A (Littlehale) Right.

MR. WIESNER: I think that's all I have, Mr. Chairman.

CHAIRMAN GOLDNER: Thank you. Okay. So, thank you to the witnesses today. The witnesses are excused.

Having heard no objections, we'll strike ID on Hearing Exhibits 9 and 10, and reserve Exhibit 11 for Commissioner Simpson's record request.

(**Exhibit 11** *reserved for record request.)*

CHAIRMAN GOLDNER: And I'll ask the Company if they can produce that by March 27th, which is a week and a day from today?

WITNESS LITTLEHALE: I can.

CHAIRMAN GOLDNER: Okay. That's acceptable. Okay. Okay, so, that will be due 03-27-24.

We'll now move to closing statements, beginning with the Department of Energy.

MR. YOUNG: Thank you, Mr. Chairman.

The Department has reviewed the Company's proposal, and does believe that it satisfies the Commission's directive.

However, as laid out in the Department's technical statement, if the Commission does approve this proposal, the Department believes that this scheme should run for this Default Service period only, with an opportunity for the parties to come together afterwards and sufficiently analyze the experience and any relevant data that may arise.

Thank you.

CHAIRMAN GOLDNER: Thank you. We'll now move to the Office of the Consumer Advocate.

MR. KREIS: Thank you, Mr. Chairman.

The Office of the Consumer Advocate has reviewed the filings that the Company has made, the Department's technical statement, the evidence adduced at hearing today. And we are satisfied that what Eversource has proposed to you is consistent with the directive that you issued.

And, so, therefore we have no objection, should the Commission issue an order directing Eversource to proceed to execute the plan that it has submitted and described to you.

In general terms, I think that -- I think it is necessary for there to be not so much an experiment, but a rigorous attempt to address what Mr. Littlehale called the "public policy question" that is at the heart of all of this.

When the New Hampshire Supreme Court decided, in 2018, that the underlying purpose of the Restructuring Act was to -- or, the primary purpose of the Restructuring Act was to save customers money, I think the Court, frankly, erred. And that, in reality, what the Legislature intended in 1996, when it adopted the Restructuring Act, was to transfer risk away from customers, particularly residential customers, and place that risk on the backs of the companies that own, operate, control, or deal in generators and wholesale electricity.

And, so, I am concerned about anything that transfers risk, either upside or downside, frankly, back onto the backs of residential customers. That's exactly what the Legislature endeavored to change back in 1996. And it has taken a long time to change the side of the road that we drive on and get to where we are today.

I am continuing to await with enthusiasm the Department of Energy's long-promised report about wholesale procurement. Because I think that, ultimately, what the Commission needs to do is to assure that customers have real choices when they decide where to buy their electricity. In other words, in deciding how to direct the local distribution companies to procure default energy service, I think it's going to be useful to give customers an alternative to the other two flavors that are available to them, or to most of them, meaning competitive supply, and, for a substantial group of New Hampshire customers, community power aggregation, however delivered.

So, when community power aggregators offer more in the way of price volatility, it would make sense to make default service a more firm source of price certainty. And, conversely, if the competitive suppliers and the community power aggregators decide, as some of them have, that price certainty is really the byword of their service, then it makes sense to make default service a bit more volatile in quest of maybe short-term consumer upside in the form of lower-than-predicted prices.

So, I'm continuing and my colleagues at the OCA are continuing to explore those questions. And we don't have a definitive answer to propose yet.

I'm skeptical that this little "experiment", if you want to call it that, will reveal anything. Because, as Mr. Littlehale testified, the experience that we're going to -- that we had over the last six months, doesn't tell us -- or, over the last year, doesn't tell us very much about what we're going to experience over the next year, and, therefore, whether consumers will be better off with some slice of their default energy service being procured via the Day-Ahead and Real-Time Market.

So, we'll see what happens. I don't think -- or, I don't think there will be material harm to consumers either way. So, it will be a worthy experiment. But, ultimately, we're going to have to -- we're going to have to grapple with the big questions, and we look forward to the opportunity to do that.

And, when the Department files its report, we will file a response.

Thank you.

CHAIRMAN GOLDNER: Okay. Thank you. We'll turn now to Eversource.

MR. WIESNER: I think I will agree with the Consumer Advocate on many of the points that he just made. That, from a high-level perspective, you know, default service is a feature of the Restructuring Act, but exactly what its purpose is, and how it should be procured, in order to meet those objectives, is inextricably linked to important policy considerations. And there are always going to be trade-offs with respect to those competing policy objectives.

And I think he highlighted a few of them. What are the risks? And who should bear those risks, and at what cost? And how much should be put on the backs of customers, if you will, up front or eventually? And I don't think we're going to solve that here today, and that's not our job.

The more narrow focus is, we were directed -- the Company was directed to propose a limited direct wholesale market participation alternative for a relatively small portion of its Small Customer load. And we have done that. And that proposal, we believe, is consistent with the

Commission's parameters set forth in the earlier order in this docket.

And, although we do remain concerned about exposing customers to the risks of potential volatility in the wholesale markets, while acknowledging that there may be benefits in eliminating or reducing risk premiums charged by third-party suppliers, we are fully prepared, as you heard from Mr. Littlehale, fully prepared to implement the proposal as presented in the prefiled testimony, and as further clarified here today, and also prepared and willing, if it is the Commission's direction, to modify how the rate will be calculated for the next six-month period beginning August 1st.

So, with that, I'll just say that the Company respectfully requests that the Commission approve the Company's proposal, by the date that we've specified, not later than April 15th, so there is certainty before the next RFP is issued in May.

CHAIRMAN GOLDNER: Okay. Thank you.

The Commission will consider the record in this case and issue a dispositional order in this matter prior to April 15th, as requested by the Company. The hearing is adjourned.

(Whereupon the hearing was adjourned at 11:04 a.m.)