

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 24-046

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

2024 Energy Service Solicitations

**Order Approving Solicitations, and Requesting Re-Filing of Energy Service Rates
by July 10, 2024**

O R D E R N O. 27,022

June 20, 2024

This order authorizes Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) to recover the costs of power supply through energy service (ES)¹ rates for effect for the six-month period of August 1, 2024, through January 31, 2025. For illustrative purposes, the updated ES rate for Eversource's Small Customer Group, which includes residential customers taking energy service from Eversource, is expected to be approximately 10.458 cents per kilowatt hour (kWh), which represents an increase in energy supply costs of 26.2 percent for these customers. This order requires Eversource to prepare a final recalculation, and updated Tariff pages, for its ES rates effective August 1 by July 10, 2024, to incorporate a Commission ruling regarding a prior-period under-collection arising in the Company's Large Customer Group. This order approves the Company's energy service solicitations, resulting contracts, and Lead-Lag Study elements; once Eversource makes its updated July 10 filing, the Commission expects to issue an Order *Nisi* in July approving the ES rates, and associated Renewable Energy Credit

¹ The customer bill for those customers that take Eversource default service is composed of three parts: power supply, transmission, and distribution. The ES rates for default service customers are for the power supply component only.

(REC) calculations and price estimates, well in advance of their August 1 effective date. Bill-impact information will be provided by the Commission within that Order.

The Commission also approves Eversource's market-based ISO-New England procurement tranche of 12.5 percent of Small Customer Group load, and associated Tariff features, as initially approved by the Commission in Order No. 26,994 (April 12, 2024), in Docket No. DE 23-043. The Commission orders Eversource to make a certain adjustment to its calculations related to the Proxy Price for this component as part of its filing to be made by July 10. This order also requires Eversource to prepare a filing delineating how it will accommodate an expanded ISO-New England market-based procurement component in its upcoming February-July 2025 energy service, with further modifications to the proxy-price structure to be included in this proposal.

The Commission does not administratively set the prices offered by wholesale electricity suppliers operating in the regional ISO-New England market to Eversource for serving Eversource's ES load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where Eversource endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. BACKGROUND AND POSITIONS

Eversource made its ES filing pursuant to a settlement agreement (Settlement Agreement) approved in Docket No. DE 17-113, by 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. This basic ES process was re-confirmed by the Commission in its Order No. 26,733, issued on November 22, 2022, in Docket No. DE 22-021, and most recently modified by the

Commission in Order No. 26,994, as clarified by Order No. 27,005 (May 6, 2024), to incorporate the market-based procurement tranche, pursuant to a Commission directive.

This proceeding was inaugurated by the Commission's Commencement of Adjudicative Proceeding and Notice of Hearing Order on May 6, 2024. The Office of the Consumer Advocate (OCA) filed its letter of participation on April 10, 2024. On June 13, 2024, Eversource filed a Petition for Adjustment to the Energy Service Rate for effect on August 1, 2024, with supporting pre-filed testimony of Scott Anderson, Yi-An Chen, Luann Lamontagne, and Parker Littlehale, all personnel with Eversource Energy Service Company, Eversource's service-company affiliate. *See* Hearing Exhibit 1.

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 (REC) pricing, and other confidential pricing terms. The hearing was held on June 18, 2024, as scheduled, where the Company, the OCA, and representatives of the New Hampshire Department of Energy (DOE) appeared. Mss. Chen and Lamontagne, and Messrs. Anderson and Littlehale, provided additional oral testimony in support of the Company's petition at hearing. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

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/2024/24-046.html>

Eversource's ES petition seeks approval of new ES rates for the six-month period beginning August 1, 2024. Eversource based its filing on the results of its Request for Proposals (RFP) solicitation issued on May 9, 2024, 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 87.5 percent of the required power supply for the Company's Small Customer Group in seven tranches of equal size (12.5 percent each), and 100 percent of the required power supply for its Large Customer Group in two tranches of 50 percent each. 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. Eversource received bids on June 11, 2024; winning suppliers were also selected on June 11, 2024; and transaction confirmations with the winning bidders were executed by the Company on June 12, 2024. See Hearing Exhibit 1, Littlehale/Lamontagne Testimony, at Bates Pages 10-11.

Eversource successfully secured winning bids for all seven tranches of its Small Customer Group load served by requirements contracts, and for both tranches of its Large Customer Group load. Eversource selected NextEra Energy Marketing, LLC (NextEra) to supply power for five of the tranches (or 62.5 percent) of the Small Customer Group, and Constellation Energy Generation, LLC (Constellation) to supply power for the remaining two requirement-contract tranches (or 25 percent) of the Small Customer Group. (The mechanics of the 12.5 percent ISO-New England market-based procurement tranche is discussed at length in Order Nos. 26,994 and 27,005, *passim*).

For the Large Customer Group, H.Q. Energy Services (U.S.) Inc. (HQES) was the winning bidder for both tranches. For this class of customers, ES rates vary by month.

The Company, as part of its ES petition, presented a technically complex series of requests regarding the treatment of a significant prior-period under-collection balance of \$6.5 million, partly arising from a decline in sales among the Large Customer Group, and partly arising from a beginning balance under-collection of \$4.5 million. See Hearing Exhibit 1, Chen/Anderson Testimony, at Bates Pages 52-55. A further \$2.4 million under-collection balance arising in the Large Customer Group accounting was described by the Company as "attributable to differences between retail customer billing and wholesale load reporting for a period of time beginning in May 2023...the Company has decided to defer recovery of that \$2.4 million amount while it pursues collection through load resettlement and rebilling." Hearing Exhibit 1 at Bates Page 54. For the resolution of the \$6.5 million under-collection, Eversource proposed a short-term solution, and a longer-term alternative approach. For the short-term solution, the Company proposed as part of its ES petition that one ES Reconciliation Adjustment Factor, applicable to all ES customers, regardless of their rate class, be implemented, with the effect that the Small Customer Group would partly carry the burden of paying down the outstanding \$6.5 million under-collection balance attributable to the Large Customer Group. *Id.* at Bates Pages 54-55. See also Hearing Exhibit 3.

As a longer-term alternative solution, the Company proposed that in future, the ES Reconciliation Adjustment Factor, including all related over- and under-recoveries, be recovered from all Eversource distribution customers through the Stranded Cost Recovery Charge (SCRC) or a similar reconciling rate mechanism. The Company described this potential approach as "equitable because all distribution customers

benefit from the universal availability of default service as an alternate choice or a last resort backstop option. It is also consistent with the rate treatment currently in effect in Massachusetts. The Company encourages the Commission to consider that alternative as a potential longer-term solution to the problem identified..." Hearing Exhibit 1 at Bates Page 55.

Also included in the Company's ES petition considered here was its updated 2023 Lead Lag Study, and related technical modifications, presented in the Chen-Anderson Testimony, Hearing Exhibit 1 at Bates Pages 57-62.

In oral testimony provided at hearing, Eversource's witnesses reiterated the Company's view that the RFP solicitation for this ES round was competitive, and produced market-indicative rates that were just and reasonable, and provided general support for the positions taken by Eversource in its ES petition.

Mr. Littlehale also provided a series of responses to Commissioner questions regarding the potential expansion of the Company's market-based procurement program. Mr. Littlehale stated that the Company had the capability to expand the market-based procurement program to up to 100 percent of both Large and Small Customer Group load, but reiterated the Company's general position that it was concerned about the potential for adverse price-volatility impacts in the future. On Commissioner questioning, Mr. Littlehale confirmed that an estimated element of the market-based-procurement proxy price that relies upon a multiplier based approach, presented in Attachment LJL-3, Hearing Exhibit 1, Bates Pages 32-33, results in a significantly higher cost than the figure from the period August 1, 2023 to January 31, 2024.

In its closing statement, Eversource requested that the Commission approve its various ES petition requests, including that related to the ES Reconciliation

Adjustment Factor modifications and RECs, as just and reasonable, and producing just and reasonable rates.

The DOE stated at hearing that it supported a one-year-only consolidation of the ES Reconciliation Adjustment Factor between the Large and Small Customer Groups. The DOE also supported Commission adoption of the Company's 2023 Lead Lag Study.

The OCA stated at hearing that it strongly opposed any consolidation of the ES Reconciliation Adjustment Factor between the Large Customer Group and Small Customer Group (which includes Residential customers), which, in the view of the OCA, would represent unjust and unreasonable cost-shifting from large commercial and industrial customers to small commercial and residential customers. The OCA further expressed its caution and reservations regarding expansion of the market-based procurement component for Eversource's ES structure, with concerns centering on price volatility in the regional markets.

II. 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, and re-confirmed in Order No. 26,733, and as modified by Order Nos. 26,994 and 27,005 in relation to the market-based component. *See also* RA 374-F:3, V(c).

Eversource's solicitation of bids and selection of NextEra and Constellation to provide 87.5 percent of the power supply for the Small Customer Group for the six-month period beginning on August 1, 2024, 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). Likewise, we approve of the solicitation process, and resulting contract, between Eversource and

HQES to supply both of the 50% tranches of the Large Customer Group load, as producing rates that are market based.

We also accept the Company's 2023 ES Lead Lag Study used in the calculation of the working capital requirements for this ES filing, subject to the proviso that they are subject to reconciliation on any further review by the DOE, the Commission, and the Company itself.

The Commission again notes that although we do not have regulatory authority over power supply since New Hampshire's utilities divested themselves of their generation/power supply assets, the Commission has the ability to oversee the procurement process, to ensure robust competition and therefore help in lowering default service prices. With Community Aggregation accelerating, the decline in ES sales for the Large Customer Group, resulting under-collections, and the wide ongoing pricing differential between requirements contract prices and ISO-New England prevailing market prices, as evidenced by Eversource's ongoing monthly reporting, the Commission believes it is appropriate to expand the market-based procurement program for the Company.

Therefore, the Company shall file, no later than August 1, 2024, a proposal for the Company's upcoming February-July 2025 Energy Service period that would include the following components: (1) an ISO-New England market-based procurement tranche of at least 30 percent, with no upper bound, for the Small Customer Group, and full (100 percent) ISO-New England market-based procurement for the Large Customer Group, along the lines approved by the Commission in Order Nos. 26,994 and 27,005 and this instant Order, with the following adjustments, and with an explanation of the Company's choice of the given tranche size provided by the Company for the Small Customer Group; (2) a modification wherein the "proxy price"

for the these market-based procurement tranches for the Small Customer Group would be an average of (a) the four-year rolling weighted average of ISO-New England market prices in the New Hampshire load zone, and (b) the NYMEX futures prices for the upcoming six-month energy service period for ISO-New England; (3) a continuation of the monthly pricing approach for the Large Customer Group, with an appropriate proxy price. This proposal would be assessed by the Commission in a future phase of this proceeding upon submission by the Company.

Regarding the Company's ES Reconciliation Adjustment Factor proposals to address the \$6.5 million under-collection arising from the Large Customer Group, we concur with the OCA that consolidation of the reconciliation charges between the Large and Small Customer Groups as an expedient would be unjust and unreasonable cross-subsidization and cost-shifting, and we therefore reject them. We do, however, agree with the Company that having the ES Reconciliation Adjustment Factor costs assessed through the SCRC could be an equitable and reasonable approach, due to the "backstop" nature of ES. Therefore, we ORDER that the Company: (1) place the \$6.5 million under-collection into a deferral account, with the Tariff-specified carrying charges to be assessed; (2) **provide a recalculation of its ES Tariff rate elements and expected ES bill impacts based upon this deferral, to be filed no later than July 10, 2024, as discussed in this Order above**; (3) provide a calculation of the estimated carrying charges associated with this deferral for the next calendar year as part of this July 10 filing; (4) prepare a proposal for the integration of the ES Reconciliation Adjustment Factor charges into collection through the SCRC to be filed thirty (30) days in advance of the Company's next SCRC petition filing.

We also Order the Company, as part of its July 10 updated ES rate filing, to adjust its Proxy Price calculations for its market-based procurement tranche for the

Small Customer Group using the latest available information on actual costs instead of using the multiplier based approach.

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 87.5 percent of the power supply requirements for the Small Customer Group for the six-month period beginning August 1, 2024, are hereby APPROVED as filed and discussed herein above; and it is

FURTHER ORDERED, that the power supply agreement entered into between Eversource and H.Q. Energy Services (U.S.) Inc. to provide power supply requirements for the two 50 percent tranches of the Large Customer Group for the six-month period beginning August 1, 2024, is hereby APPROVED as filed and discussed herein above; and it is

FURTHER ORDERED, that Eversource is authorized to use the results of the 2023 Lead/Lag study in the calculation of ES rates, subject to any reconciliation; and it is

FURTHER ORDERED, that Eversource's ES petition request to modify the collection of the ES Reconciliation Adjustment Factor is DENIED, with the proviso that Eversource is ORDERED to create the deferral account for the \$6.5 million under-collection from the Large Customer Group as discussed herein; and it is


FURTHER ORDERED, that Eversource shall make the updated ES Rate filing, as delineated in this Order, **by July 10, 2024**, with the elements discussed herein; and it is

FURTHER ORDERED, Eversource shall file with the Commission, no later than August 1, 2024, a proposal for an expanded ISO-New England market-based

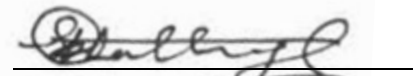
procurement approach, as delineated in this Order, for the Company's upcoming February-July 2025 Energy Service period, to be assessed by the Commission in a future phase of this proceeding; and it is

FURTHER ORDERED, that Eversource, for this upcoming default service rate period, is to continue to file, by the 30th day of the following month, a summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for Eversource's Small Customer Group.

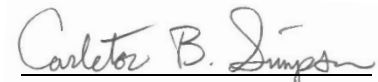
By order of the Public Utilities Commission of New Hampshire this twentieth day of June, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 24-046

Printed: 6/20/2024

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