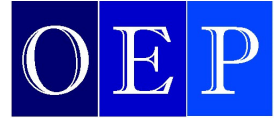




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MARGARET WOOD HASSAN  
GOVERNOR

June 2, 2015

Debra A. Howland, Executive Director  
NH Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301

Re: Docket No. IR 15-124, Investigation into Potential Approaches to Ameliorate Adverse Wholesale Electricity Market Conditions in New Hampshire

Dear Ms. Howland:

The purpose of this letter is to provide the Office of Energy and Planning's (OEP's) response to "Staff's Request for Stakeholder Input," dated May 14, 2015. We thank you for the opportunity to provide our feedback at this time. In addition, we request that you please add Meredith Hatfield, [Meredith.hatfield@nh.gov](mailto:Meredith.hatfield@nh.gov) and Molly Connors, [molly.connors@nh.gov](mailto:molly.connors@nh.gov) to the service list in this docket.

As you know, OEP's wide-ranging responsibilities include helping New Hampshire's families, businesses, municipalities, state agencies and others make informed decisions about energy issues, and we are keenly aware of the impacts of last winter's electricity rate spikes. In addition, as the administrator of the Low Income Home Energy Assistance Program and the Weatherization Assistance Program that serve New Hampshire's neediest citizens with fuel assistance and weatherization, we are particularly sensitive to the impact of fuel prices on our citizens.

Before addressing the substance of Staff's request for input from the parties, OEP wishes to note some of its concerns about the path taken in this investigation thus far. We focus first on "Staff's Request for Stakeholder Input" and note the following concerns:

1. Timeline

While OEP appreciates the urgency of the issues identified in IR 15-124, and the timeliness with which the Staff seeks to address those issues, OEP is concerned that the schedule does not allow sufficient time for all stakeholders, particularly those with limited resources, to conduct research and formulate proposals in a way to be on equal footing with well-resourced parties. A mere 12 business days are provided to address questions that, in some cases, seek economic analyses that could benefit from modeling and intensive study. In contrast, Staff has until mid-September to provide its views on these questions. In light of this disparity, we request that Staff conduct meetings of the parties over the summer, and release a draft of its report prior to filing a final report with the Commission.

2. Staff's Questions

OEP is concerned that the specificity of some of the questions posed by Staff create barriers for agencies, non-profits, citizens and other groups that lack the resources of investor-owned utilities and other large energy firms participating in this docket. While some of the parties may have responsive information readily available, it is also likely such parties would include companies already competing for contracts in regional infrastructure initiatives, as the three-state RFP for transmission and renewables in RI, MA and CT, or that have already filed in adjudicatory proceedings in NH, other New England states, the Federal Energy Regulatory Commission and/or some other federal proceeding. Instead, we believe that all parties would be informed by conducting this docket in a collaborative, participatory way, rather than through paper filings and one-on-one meetings, as discussed below.

3. Focus on large-scale infrastructure solutions

Most of the questions posed by Staff are worded in such a way that they may inadvertently bias the results of the proceeding toward ratepayer funding of large infrastructure. For example, question four asks respondents “to specify the firm pipeline capacity in Dth/day to be purchased by each EDC, the associated annual cost and the contract term, identify the pipeline project to which the estimated annual cost relates, provide the estimated benefit-cost ratio for such project and the projected reduction in wholesale and/or retail electricity prices.”

Only one question – number six – specifically raises the possible benefits of demand-side resources and, where prior questions about supply-side resources are open-ended about contract lengths, question six requires proponents of energy efficiency to make specific 10-year cost projections with a focus on winter costs. In addition, it is worth noting that some commenters in the region are urging Commissions and policy makers to consider all tools available to them, and not to focus solely on an approach that requires ratepayers to subsidize large infrastructure investments.<sup>1</sup>

For example, the New England Energy Council recently wrote to the six New England Governors cautioning that “investments in gas infrastructure must be thoroughly analyzed under a number of scenarios and in comparison with clean energy alternatives to ensure that the region is not investing in infrastructure that will put New England on a path away from a clean energy future or lead to ‘stranded’ investment.”<sup>2</sup> We urge the Commission to do the same.

In addition, it is unclear if state-regulated EDCs belong at the heart of an investigation into wholesale market issues. The NH PUC itself has argued<sup>3</sup> that the problems in the wholesale markets must be addressed by ISO-New England and the Federal Energy Regulatory Commission. The NH PUC believes that “it is incumbent on ISO-NE as the entity responsible for ensuring the efficient operation of the region’s wholesale electricity markets to also propose necessary amendments to its market rules to facilitate a solution...”<sup>4</sup> The NH PUC went so far as to argue that state efforts already underway will not be a “true success” if the wholesale

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<sup>1</sup> <http://www.necec.org/other-module/news/news-reader/necec-letter-to-new-england-governors.html>. The Acadia Center also recently wrote the first of a 3-part series about the region’s energy challenges, opining that “we are not facing a crisis.” <http://commonwealthmagazine.org/environment/were-not-facing-an-energy-crisis-in-new-england/>.

<sup>2</sup> Id.

<sup>3</sup> NH PUC Comments in Federal Energy Regulatory Commission Dockets Nos. AD13-7-000 and AD14-8-000, available at <http://puc.nh.gov/Regulatory/Docketbk/2015/15-124/LETTERS-MEMOS-TARIFFS/15-124%202015-05-14%20STAFF%20INSTRUCTIONAL%20LETTER.PDF>.

<sup>4</sup> Id.

markets rules do not change to allow new methods of cost recovery for specific electric generators.<sup>5</sup>

The New England States Committee on Electricity (NESCOE), which is governed by a board of managers appointed by the Governors of the six New England states, and charged with representing the interests of all citizens in the region through collaborative participation with wholesale market participants, has also argued that the wholesale markets need to adapt in order to address current price challenges in New England. “Over multiple years of stakeholder discussions, NESCOE has expressed its continued and strong interest in exploring market mechanisms that could cost-effectively solve the root cause of New England’s gas-electric power system challenges,”<sup>6</sup> NESCOE recently wrote.

Therefore, while it is necessary for the EDCs and the Commission to act to protect ratepayers from the volatility at the wholesale level and mitigate the potential harm to NH’s businesses and families, as the PUC seeks to do in IR 14-338, OEP cautions the PUC against attempting to address wholesale issues on its own.

### Other Concerns

#### Private meetings

As noted during May 12 technical session and discussed briefly above, OEP is concerned by the Staff’s decision to hold private discussions with parties, some which are infrastructure project proponents, and remains unclear about the need for conducting the docket in this manner. It is OEP’s understanding that the purpose of this docket is to explore ways to ameliorate winter electric price increases, and to consider whether the Commission currently has the legal authority to implement different approaches. OEP believes that the parties would benefit from an open discussion among participants, and that there is not likely to be confidential information that warrants private meetings.

In addition, based on Staff’s comments during the stakeholder discussion on May 12, it is OEP’s understanding that minutes will be taken of the private meetings. While that is helpful, it is not conducive to a productive dialogue of a group of interested parties. It also negates any claim that parties would be more forthcoming in a private meeting; if there are minutes describing the discussion any sense of privacy is removed.

If there is confidential information that must be exchanged during this investigation, which OEP questions, tools such as non-disclosure agreements would protect proprietary information. As a result, OEP respectfully urges Staff to reconsider its decision to hold private discussions in this important docket. OEP also notes that several participants in this docket are also proponents of specific infrastructure projects. This requires extreme care as some of those projects may come before the Commission in the future.

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<sup>5</sup> Id.

<sup>6</sup> [http://nescoe.com/uploads/FuelAssurance\\_AD13-7\\_20Mar2015.pdf](http://nescoe.com/uploads/FuelAssurance_AD13-7_20Mar2015.pdf).

## OEP's Recommendations

### *1. Consider Discussions in IR 14-338*

OEP respectfully suggests that some of the most effective and immediate steps the Commission could take to more effectively protect ratepayers from wholesale market volatility have been discussed in a separate but related investigatory docket: IR 14-338, Review of Default Service Procurement Processes for Electric Distribution Utilities. Staff in this docket should work with the Staff in that docket to ensure that they are collaborating to consider all possible options to ameliorate recent winter issues.

The Commission opened that docket “in response to the rate shock experienced by customers during the winter of 2014-2015”<sup>7</sup>, and the Commission described 14-338 as “an effort to examine potential responses to the wholesale electricity market challenges facing New Hampshire EDCs.”<sup>8</sup> The Commission directed Staff to convene stakeholders, including utilities, competitive suppliers, and market participants, to reevaluate current approaches to default service solicitations, and it includes many of the same parties that are participating in this new docket.

While OEP hopes that immediate short-term changes intended to reduce price volatility will result from that docket, the work of IR 14-338 remains incomplete. In fact, in their recommendations dated May 3, Staff stated that, because of the limited timeframe of that docket, the Commission could likely implement only “limited changes”<sup>9</sup> before the next default service procurement period. In addition, the Staff also wrote that they hope that their efforts will have “facilitated movement towards common ground and a more broader agreement in anticipation of the 2016 bidding process.”<sup>10</sup>

As a result, OEP urges Staff to either combine the IR 14-338 and IR 15-124 dockets, or to review and consider recommending some of the proposals made in the extensive comments filed in IR 14-338 in this docket. Doing so will make it more likely that NH can more adequately reduce rate shocks resulting from winter issues in the wholesale markets and give Staff the time and resources lacking in the accelerated timeframe of IR 14-338.

### *2. Utilize Tools such as the Least Cost Integrated Resource Planning Statute*

OEP urges the Commission to utilize its existing authority and the unharnessed potential in the existing Least Cost Integrated Resource Planning statute. RSA 378:37 *et seq.* explicitly states that the energy policy of the state is to meet the energy needs of the state’s residents and businesses “at the lowest reasonable cost.”<sup>11</sup> The Commission could use this planning tool to ensure that utilities develop plans that provide the lowest cost resources and increase investments in cost effective demand-side resources, and also to explore other ways to address the recent electric winter pricing challenges.

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<sup>7</sup> <http://www.puc.nh.gov/Regulatory/Docketbk/2014/14-338/LETTERS-MEMOS-TARIFFS/14-338%202015-04-15%20OCA%20COMMENTS.PDF>, page 2.

<sup>8</sup> <http://www.puc.nh.gov/Regulatory/Docketbk/2014/14-338/INITIAL%20FILING%20-%20PETITION/14-338%202014-11-24%20ORDER%20OF%20NOTICE.PDF>, page 3.

<sup>9</sup> <http://www.puc.nh.gov/Regulatory/Docketbk/2014/14-338/LETTERS-MEMOS-TARIFFS/14-338%202015-05-06%20STAFF%20MEMO%20RECOMMENDATION.PDF>, page 7.

<sup>10</sup> *Id.*

<sup>11</sup> <http://www.gencourt.state.nh.us/rsa/html/XXXIV/378/378-mrg.htm>.

3. *Engage Experts*

OEP encourages the Commission to take advantage of the expertise of independent experts to inform the discussions in this docket, as suggested in the IR 15-124 Order of Notice. Experts could assist in this investigation in a variety of ways, including to assist in answering Staff's questions posed to the parties, considering whether these are the right questions, helping to explore the potential role of least cost integrated resource planning to address these issues, and to consider whether suggestions made in IR 14-338 such as the use of laddering and statewide procurement of default service could be used successfully to ameliorate recent winter price increases.

Point of Clarification

On page 2 of the Order of Notice, the Commission states that 2014 State Energy Strategy endorsed the careful consideration of "the potential development of additional natural gas resources for the benefit of the electricity supply." OEP wishes to clarify that the Energy Strategy does not endorse such an approach. The relevant section of the Strategy states as follows:

*While New Hampshire has limited influence over natural gas transmission and pipeline expansion, the State is engaged in regional efforts to explore ways to encourage additional pipeline capacity in the region. The State should continue such coordination efforts, ensuring that New Hampshire's interests are represented in larger decision-making forums, and exploring other opportunities such as reducing usage through efficiency and conservation."<sup>12</sup>*

OEP again thanks the Commission and its Staff for this opportunity to comment, and looks forward to continuing to participate in this timely and important docket.

Respectfully,



Meredith A. Hatfield  
Director

cc: IR 15-124 Service List

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<sup>12</sup> <https://www.nh.gov/oep/energy/programs/documents/energy-strategy.pdf>.