BEFORE THE STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

INVESTIGATION INTO MARKET CONDITIONS AFFECTING PSNH AND ITS DEFAULT SERVICE CUSTOMERS AND THE IMPACT OF PSNH'S OWNERSHIP OF GENERATION ON THE COMPETITIVE ELECTRIC MARKET	)	IR 13-020

COMMENTS OF NORTH AMERICAN POWER AND GAS, LLC ON COMMISSION STAFF REPORT REGARDING PSNH GENERATION ASSETS, DEFAULT SERVICE AND MARKET CONDITIONS

Introduction

North American Power and Gas, LLC ("NAPG") is a national retail competitive electricity and natural gas supplier based in Norwalk, Connecticut. The Public Utilities Commission ("Commission" or "PUC") licensed NAPG as a retail electricity supplier in late 2012. See Docket 12-138. Already, NAPG is one of the largest electric retailers in New Hampshire with more than 20,000 electricity supply customers. See generally Direct Testimony of Taff Tschamler, Docket No. 12-295 (March 26, 2013) (generally describing NAPG's business). NAPG has participated in numerous dockets relating to the terms and conditions of the emerging residential retail market in New Hampshire, including Docket Nos. 12-097 (market opening measures), 12-295 (PSNH fees), as well as the impending Commission investigation into payment hierarchy issues. NAPG respectfully offers the following brief comments in response to the Commission's request for Comments dated June 7, 2013.

Comments

NAPG applauds the efforts of Commission Staff, assisted by Liberty Consulting Group, to develop the analysis set forth in the June 7, 2013 Report on Investigation into Market Conditions, Default Service Rate, Generation Ownership and Impacts on the Competitive Electricity Market (hereinafter the "Report"). In these brief comments, NAPG takes no position at this time with respect to the ultimate issue of whether PSNH should divest ownership of its legacy generation fleet. Nevertheless, NAPG agrees that PSNH's continued ownership of these assets creates considerable problems for consumers and distorts the development of a vibrant and sustainable competitive electric marketplace within PSNH's service territory. Both the Commission and the Legislature should closely monitor and address these issues as necessary to ensure that ratepayers receive the full benefit of robust competitive electric markets.

With respect to the specific points raised in the report, in these comments, NAPG will focus only on two principal observations.[1] First, the Report's Executive Summary (at pp. 1-2) makes the following statement regarding the general approach of retail suppliers to PSNH's role in the competitive electric marketplace:

> We found competitive retail suppliers, however, far less interested in the "headroom" created by the significant gap between market and PSNH's default prices, as compared with supporting a market that is conducive to competition over the longer term. Their interests focus more on a market that operates under a stable policy framework and rules. Their concerns about PSNH focus less on current default service prices and more on the institutional barriers created by the presence of the distribution company in the energy portion of the business.

[1] NAPG reserves rights to make additional recommendations at later times, when appropriate.

NAPG strongly agrees with the Report's summation of retail supplier concerns. In NAPG's experience, utilities in restructured markets are, for the most part, indifferent to the success of the retail marketers in their territory. This allows policymakers, retail suppliers, and the utilities to strike the proper balance between market improvements, consumer disclosures, and implementation cost issues. Here, PSNH's retention of generation assets skews any such neutrality in administering a retail marketplace. Accordingly, regulators need to pay close attention to the many "institutional barriers" (Report, pp. 1-2) that may arise when a utility distribution company has a central role in transactions between retail electric suppliers and consumers. The Report does not lay out these "institutional" concerns in detail but, at minimum, they should include:

- the need for regulatory review over the evenhandedness of PSNH's communications to consumers on bills, in website information and during consumer service personnel calls with consumers regarding competition versus standard offer options;
- reasonableness and cost justification of PSNH-imposed supplier charges;
- evenhandedness and reasonableness of payment priority rules as between utility and supplier current and past due charges; and
- the quality of information regarding customers and their usage available to suppliers in electronic data transaction form.

Given PSNH's strong incentives to implement measures that support its generation fleet at the disadvantage of its electricity supply competitors, it is no surprise that NAPG, Electricity New Hampshire, RESA and other suppliers have sought Commission review of PSNH actions in all of these areas. Accordingly, to the extent the Commission or Legislature elect not to require divestiture, and at least for a time accept the "Status Quo Approach" option (Report, pp. 31-32), regulators should be prepared to regulate these and other competition issues closely and continuously. Absent a tough Commission regulatory presence or total divestiture, PSNH will have strong incentives to continue to use its monopoly power over distribution customers to disadvantage suppliers of generation services in competition with default service.

Second, in considering policy options for addressing PSNH-owned generation and adverse impacts on consumers, the Commission and the Legislature should continue to resist any calls by PSNH to shift the burdens associated with PSNH's continued ownership of its generation fleet onto competitive supply customers. The Commission properly rejected a PSNH request for such a non-bypassable charge in Docket 10-160. See Order No. 25,256, Re Customer Migration, Docket No. 10-160 (July 26, 2011). Shifting PSNH generation costs to all customers of the PSNH transmission and distribution system effectively represents a double-charging of competitive supply customers, is anti-competitive and is contrary to the restructuring principles, all as stated in detail in the Docket No. 10-160 Order. See id., pp. 27-29. Such charges are not, and should not, be available in New Hampshire unless and until PSNH divests its generation fleet or is ordered to do so.[2]

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[2] In making this point, NAPG does not concede that any form of stranded cost charges is appropriate nor does NAPG recommend at this time any form of stranded cost recovery methodology in the event of divestiture.

Conclusion

NAPG appreciates the opportunity to furnish the above comments on the Report. NAPG supports the Commission's efforts to develop solutions to the PSNH ownership of generation plants that ensure the development of robust electricity markets and protect consumers.

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