



MARGARET WOOD HASSAN
GOVERNOR

STATE OF NEW HAMPSHIRE

OFFICE OF ENERGY AND PLANNING

107 Pleasant Street, Johnson Hall
Concord, NH 03301-3834
Telephone: (603) 271-2155
Fax: (603) 271-2615



www.nh.gov/oep

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

Re: Docket No. IR 14-338, Review of Default Service Procurement Processes for Electric Distribution Utilities

Dear Ms. Howland:

The purpose of this letter is to provide the Office of Energy and Planning's (OEP's) comments on Staff's "Guiding Principles" provided to the Parties by Staff on March 23, 2015, and other comments on the issues raised by the Commission in the Order of Notice. We thank you for the opportunity to provide comments at this time.

I. Staff's "Guiding principles"

Staff providing the following questions to the parties:

1. Who are we protecting?
2. What are the effects on market solicitations and competitive suppliers?
3. Should retail supply be cost based?
4. Resolution of tension between objectives of stability and market pricing.

OEP respectfully suggests that the questions listed above are not "guiding principles" but instead are questions that one might ask in order to determine the overarching purpose of default service, and perhaps to aid in the development of guiding principles or objectives upon which an approach to providing default service could be based.

RSA 374-F:3(V)(c) states that default service "should be designed to provide a safety net and to assure universal access and system integrity." Section (V)(e) allows the Commission to "approve alternative means of providing transition or default services which are designed to minimize customer risk, not unduly harm the development of competitive markets, and mitigate against price volatility without creating new deferred costs, if the commission determines such means to be in the public interest."

OEP believes that the increasing availability of competitive supply options for all customers allows default service to be a more stable and predictable option that is not subject to the price volatility in the region. This could mean that in some circumstances, default service rates are higher than what is available on the market. Because default service was designed to minimize price volatility while also availing of pricing that reflects longer terms and off-season pricing, OEP believes that reflecting market pricing should not be the primary goal of default service.

II. Staff's Thoughts

Staff also provided the following thoughts to the parties. OEP has provided comments on some of these thoughts, noted in italics:

- (a) Staff believes that there is merit in a uniform methodology for all

OEP is not clear on what Staff is referring to regarding "methodology."

- (b) Believes that there should be differential treatment between large C&I and Residential and Small C&I (still considering benefits of differentiating between res and small C&I)

OEP agrees that the current approach of offering different default service products to Residential and C&I customers is appropriate.

- (c) Believes that frequency of auctions should be confined to 6 month periods and that they should be staggered between LDC's

OEP disagrees that all default service periods should be six months for all customers. Because the current six-month periods align with peak winter and summer seasons, the current approach has resulted in default service customers experiencing extreme price volatility. OEP would benefit from further discussion and analysis of the most appropriate length for default service contracts, and suggests that the parties review how other states in the region approach this issue. OEP would also benefit from additional information about what Staff means by "staggered."

- (d) For large C&I we believe that spot pricing pass through approach may be desirable, though would like more clarification of that approach

OEP does not have a comment at this time.

- (e) For res/small C& I we consider the Unitil model a useful paradigm for going forward

OEP would benefit from more information on this topic.

- (f) We are assuming for the present that 100% block will be bid.

OEP would benefit from additional information on this topic. How would this work with Staff's comment at section (c) above regarding staggering?

- (g) We do not find consideration of QF usage as appropriate, nor do we wish to constrain freedom of choice in the selection of bidders

OEP does not have a comment at this time.

- (h) We agree with the approach whereby bids are solicited until objective achieved

OEP does not have a comment at this time.

- (i) Agree about the need to shorten the time between success bids and contract awards but believe it will require change in statutory language so see that as a medium term goal.

OEP respectfully disagrees that statutory language needs to be changed. RSA 374-F:3, V(c)-(e) allows the Commission to make adjustments to default service such as shortening the time between successful bids and the awarding of the contracts. See also Commission Orders No. 24,577, 24,922, and 25,601.

- (j) We are not as yet compelled by the notion of a state initiated centralized procurement process

OEP does not have a comment at this time and would benefit from additional information about other states' procurement processes.

- (k) We are not as yet compelled by the notion of establishing fixed price contracts for conventional and renewable energy for a specific portion of the energy service requirement.

OEP does not have a comment at this time.

- (l) We agree about the desirability of a web page to provide up to date pricing for end users. We understand that is a matter being pursued by Amanda Noonan's division.

OEP agrees that the PUC, including its Consumer Affairs Division, plays a central role in educating ratepayers about their options in purchasing energy. We appreciate the valuable work Amanda Noonan and her staff have undertaken in establishing the web page and other efforts.

- (m) We are in favor of budget billing for all LDC customers

OEP agrees.

- (n) At this time we see little benefit for laddering the bid process

OEP understands that the small size of Liberty and Uniti default service loads may make laddering challenging, but without analysis we do not think that it should be dismissed.

- (o) We are in favor of removing unnecessary risk premiums associated with regulatory uncertainty but understand that because this probably requires legislation, it may be a medium term goal.

OEP respectfully disagrees and believes that the Commission has the authority under existing law to develop a process that allows review and approval of default services contracts more quickly.

III. Conclusion

OEP strongly supports the Commission's goal in the Order of Notice that the Commission "complete its review in advance of the procurement of default service supply for the winter period 2015-2016." OEP urges the Commission to act expeditiously to change default service procurement to reduce default service price volatility and to protect those customers who stay on default service from price shocks. One relatively simple change that could achieve these goals is to increase the length of the default service term in order to avoid the next 6-month default service period coinciding with winter price increases. This may be the only change that can be made in the coming months before the utilities must issue their next RFPs for default service. The Commission could also explore mechanisms to reduce the length of the upcoming default service dockets to reduce the amount of time between when the utilities receive their default service bids and when the Commission reviews them. It has been suggested by parties in the docket that this could reduce prices by reducing uncertainty for bidders.

OEP believes that changes to default service procurement are most properly made in an adjudicative proceeding. We respectfully suggest that the Commission considered holding a joint hearing in the current Unitil and Liberty default service dockets¹ to consider changes and to rule upon any proposals in June, so that the companies have ample time to adjust their RFP and scheduling needs in order to have default service contracts in place by the late Fall.

OEP looks forward to continuing this important dialogue with the Commission and with the parties, and again urges the Commission to take action before the coming winter season in order to reduce price volatility and the economic impacts of this past winter for default service customers.

Respectfully,



Meredith A. Hatfield
Director

cc: IR 14-338 Service List

¹ OEP does not include Eversource in this recommendation because the company uses a different approach to procuring default service at this time.