

State of New Hampshire
Public Utilities Commission

Petition for Approval of Energy Service Supply Proposal

Docket No. DE 17-113

Settlement Agreement

This Settlement Agreement (the “Agreement”) is entered into this 27th day of November, 2017, by Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”), the Staff of the New Hampshire Public Utilities Commission (“Staff”), the Office of the Consumer Advocate (“OCA”), Exelon Generation Company, LLC, and EnerNOC, Inc. (collectively, the “Settling Parties”) with the intent to resolve all issues pertaining to the above-referenced proceeding.

I. INTRODUCTION

In Order No. 25,950 issued on October 6, 2016, the Commission concluded that, “the overriding principle of restructuring, . . . is to harness the power of competitive markets to reduce costs to consumers by separating unregulated generation from fully regulated distribution.” To that end, the legislature has enacted legislation finding that, “The divestiture of electric generation by New Hampshire electric utilities will facilitate the competitive market in generation service” (RSA 369-B:1, II) and “that divestiture of PSNH’s generation plants and securitization of any resulting stranded costs pursuant to RSA 369-B:3, IV(c) is in the public interest... .” (RSA 369-B:3-a, I). Such divestiture will require a change in the methodology that Eversource has used for supplying default service.

On June 10, 2015, and following extensive negotiations, Eversource and numerous other parties filed the 2015 PSNH Restructuring and Rate Stabilization Agreement (the “2015

Agreement”), which was approved by the Commission along with a related litigation settlement in Order No. 25,920 (July 1, 2016). Relevant to this matter, the 2015 Agreement provides, at lines 294-302:

Default Service will provide a safety net and assure universal access for customers who do not receive energy from a Competitive Supplier. Default Service shall be acquired and provided in accordance with RSA Chapter 369-B until divestiture of PSNH’s generating assets. No later than six months after the final financial closing resulting from the divestiture of PSNH’s generating assets, PSNH will transition to a competitive procurement process for default service. The competitive process utilized shall be consistent with the process determined by the Commission in its Docket No. IR 14-338, “Review of Default Service Procurement Processes for Electric Distribution Utilities,” as may subsequently be modified by the Commission.

Consistent with this provision, on June 29, 2017 Eversource filed a petition and supporting testimony with the Commission seeking approval of Eversource’s proposal for procuring and providing default Energy Service (“ES”) to customers on a competitive basis, rather than through its traditional method. Following the intervention of numerous parties, discovery was undertaken on Eversource’s proposal.

On August 16, 2017, the Commission issued a secretarial letter that, among other things, requested that briefs be filed on the issue of whether Eversource could transition to a new, competitively procured ES model on January 1, 2018, or another date, prior to the sale of its generating plants consistent with the 2015 Agreement. Following briefing, the Commission issued Order No. 26,056 on September 21, 2017 where it found that “no generation-related costs can be included in stranded costs until such time that those costs are recognized in connection with divestiture.” Order No. 26,056 at 8. Additionally, the Commission’s order states “If a different set of facts are presented to us, for example, generation plants are identified for retirement, or financial closing is achieved for some plants but not others, we may reach a

different conclusion as to whether Eversource should structure a competitive solicitation to replace the generation it no longer owns.” *Id.*

On October 12, 2017, in Docket No. DE 17-124 Eversource filed materials requesting the Commission’s approval of two purchase and sale agreements covering Eversource’s generating assets. On October 13, 2017, the Commission issued a secretarial letter in that docket which, among other things, established relevant dates for that docket with the result being that a sale of at least some, if not all, of Eversource’s generating assets may be accomplished before the end of 2017. In recognition of this possibility and to address other concerns expressed in the instant proceeding, the Settling Parties undertook settlement negotiations. Those discussions have resulted in this Agreement, which the Settling Parties request be approved and implemented.

II. TERMS OF AGREEMENT

A. Eversource will implement a new competitively procured default ES rate within approximately ninety (90) calendar days following the closing of the sale of Eversource’s thermal generating assets (the “Effective Date”). The Settling Parties agree that approximately ninety (90) days permits Eversource a reasonable and appropriate period of time to solicit market participants and prepare an appropriate ES rate submission to the Commission for approval consistent with the Commission’s customary expedited process for review and approval of competitively supplied default service rates for utilities in New Hampshire. The Effective Date shall occur on the first day of the month in which the competitively procured default ES will be implemented. For clarity, included below is a

representative schedule showing the chronology necessary to implement the “90-day” process discussed above in an orderly manner assuming an April 1, 2018 Effective Date.

Issue RFP	Jan 5, 2018
Final Bids Due - 10 AM	Feb 6, 2018
Award Group Selected - 3 PM	Feb 6, 2018
Transaction Confirmations Executed & Financial Assurance In-Place	Feb 7, 2018
NH PUC Filing	Feb 8, 2018
NU PUC Hearing	Feb 13, 2018
Requested PUC Decision - <i>No Later Than</i>	Feb 22, 2018
Service Begins (“Effective Date”)	Apr 1, 2018

The Settling Parties agree that the “90-day” schedule, as discussed and shown above, is a reasonable and feasible means for implementation of competitively procured ES rates.

Changes to customers on rate ADE as described in Eversource’s initial filing will be timed to coincide with the Effective Date. During the months between the sale of Eversource’s thermal generating assets and the Effective Date, Eversource shall self-manage its default service obligations with remaining owned generation, PPAs, IPPs, and market-based supply purchases as necessary. Any non-scrubber over or under recoveries resulting prior to and during the period of self-management through the Effective Date will be reconciled and recovered as a Part 2 stranded cost via the Stranded Cost Recovery Charge (“SCRC”) to ensure that there is a clean transition to the new competitively procured energy service.

In the event that Eversource’s hydroelectric generating assets have not been sold as of the Effective Date, the Settling Parties agree that the competitively procured ES rate shall incorporate a “hydro adjuster,” a cents per kWh rate for the upcoming rate term, consisting of the estimated costs and revenues relating to the hydroelectric assets amortized over

forecasted ES sales. The existence and an estimate of the “hydro adjuster” will be disclosed in the RFP to ensure that wholesale suppliers are cognizant of the adjuster. The “hydro adjuster” will be included in Eversource’s ES rate submission to the Commission for approval and removed from energy service rates at the time of the first rate change following the sale of the hydroelectric assets.

B. The Settling Parties agree that as of the Effective Date, Eversource will also implement changes to its SCRC. The changes to the SCRC will, on the Effective Date, shift all remaining non-hydro costs and revenues to the SCRC and out of the ES rate for costs and revenues relating to the carrying charge on the stranded thermal assets prior to securitization, and for any IPPs or PPAs held by Eversource. Such costs and revenues shall remain in the SCRC until the completion of the sale of any remaining generating assets, at which time the SCRC shall be adjusted to account for the completion of the sale and implementation of the requirements of the 2015 Agreement relative to the SCRC rate. Subsequent to the Effective Date, routine adjustments and reconciliations for the SCRC rate will be contemporaneous with ES rate changes as described in paragraph D below, unless otherwise required by implementation of the 2015 Agreement or other legal or regulatory requirements.

C. The Settling Parties agree that Eversource’s competitive procurement as implemented under this Agreement will be in the form of a sealed bid RFP consistent with Eversource’s initial proposal. The Settling Parties agree that any party may, in the future, petition the Commission to amend the manner of ES procurement and supply should circumstances warrant a change and Staff, the OCA and Eversource agree to participate in such a docket. Eversource agrees to continue to evaluate procurement methods other than sealed bid RFP.

The Settling Parties agree that any new proposed method, if approved by the Commission, shall be implemented as ordered by the Commission.

D. The Settling Parties agree that if the Effective Date is on or before May 1, 2018 Eversource's initial competitive procurement will be for delivery in the period of the Effective Date through July 31, 2018. If the Effective Date is on June 1, 2018 or later Eversource's initial competitive procurement will be for delivery in the period of the Effective Date through January 31, 2019. Subsequent procurements shall be for 100 percent of the load to be delivered each 6-month period thereafter with ES rates being effective from February 1 to July 31, and August 1 to January 31 of each year.

E. Consistent with Order No. 26,056, Eversource has made its customary filing for annual ES and SCRC rates for effect on January 1, 2018 in Docket Nos. DE 17-150 and 17-151. The Settling Parties agree that Eversource shall implement changes to the ES or SCRC rates consistent with its customary filing for effect on January 1, 2018, except that the ES rate shall be calculated as a 3-month rate, rather than as an annual rate.

F. Eversource agrees that competitive procurements shall be for 100 percent of the load to be delivered in the period and to forego the use of laddering for purposes of implementing this Agreement. The Settling Parties agree that Eversource's procurements will be:

For the small customer class (as defined in Eversource's initial filing and consisting of customers in Residential Rates R and R-OTOD; General Service Rates G and G-OTOD; private area lights associated with these residential and small general service accounts and billed under Outdoor Lighting Rate OL; and municipal lighting on Outdoor Lighting Rates OL and EOL) Eversource shall use a single procurement every 6 months for full

requirements, load following service for a 6 month term. The rate for the small class will be set at a flat cents per kWh level for each 6 month term. Tranches offered to bidders will be designed as percentages of load aimed at being approximately 100MW in size.

For the large customer class (as defined in Eversource's initial filing and consisting of customers in Primary General Service Rate GV, Large General Service Rate LG, Backup Service Rate B, and any private area lighting associated with these accounts and billed under Outdoor Lighting Rate OL) Eversource shall use a single procurement every 6 months for full requirements, load following service for a 6 month term. The rate for the large class will vary monthly in line with the monthly pricing identified by the winning bidder.

G. The Settling Parties agree that Eversource will provide all customer communications materials regarding the change in ES procurement to the Commission Staff for review prior to issuance.

H. The Settling Parties agree Eversource will manage its RPS obligation in a manner consistent with Commission precedent for other regulated electric utilities in New Hampshire. As to Eversource's RPS obligation relevant to Class I, the Settling Parties agree that it shall be managed in a manner consistent with that described on page 14 of the initial Testimony of Shuckerow, White & Goulding in this proceeding. The Settling Parties further agree that the reconciliation of ES costs and revenues will be handled consistent with Eversource's initial proposal and included with the August 1 rate proposal annually beginning in 2019.

I. The Settling Parties Agree that Eversource will provide notice to the Commission of any future changes to the terms of its RFP or Master Power Supply Agreement.

J. The Settling Parties agree that implementing competitive procurement and otherwise amending its ES and SCRC rates in the manner identified in this Agreement is just and reasonable and otherwise consistent with the laws of the State of New Hampshire relating to such procurement.

III. CONDITIONS

This Agreement is expressly conditioned on the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, shall not be relied on by any party to this proceeding or by the Commission for any other purpose.

The Settling Parties agree that the Commission's approval of this Agreement will not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the provisions stated in their totality are just and reasonable and consistent with the public interest.

The discussions that produced this Agreement were conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

The Settling Parties agree that all testimony and supporting documentation should be admitted as full exhibits for purposes of reviewing this Agreement. The Settling Parties' agreement to admit all testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony is accurate or what weight, if any, should be given to the views of any witness, except as may be specifically provided in this Agreement. The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to that resolution for purposes of any future proceeding, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, that document for purposes of any future proceeding. The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the rates resulting from the agreement, and other specific conditions stated in this Agreement are just and reasonable and otherwise consistent with the law.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

Dated: November 27, 2017

**Public Service Company of New Hampshire
d/b/a Eversource Energy**



By its Attorney, Matthew J. Fossum

Dated: November 27, 2017

Office of the Consumer Advocate

By the Consumer Advocate, D. Maurice Kreis

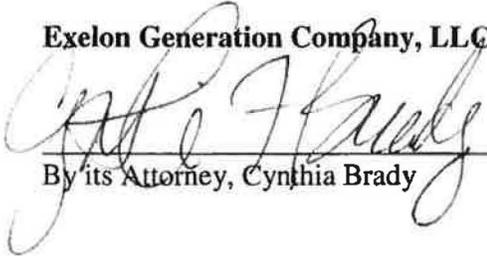
Dated: November 27, 2017

**Staff of the New Hampshire Public Utilities
Commission**

By its Attorney, Suzanne Amidon

Dated: November 27, 2017

Exelon Generation Company, LLC



By its Attorney, Cynthia Brady

Dated: November 27, 2017

EnerNOC, Inc.

By its Attorney, Marcia A. Brown

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**Public Service Company of New Hampshire
d/b/a Eversource Energy**

By its Attorney, Matthew J. Fossum

Dated: November 27, 2017

Office of the Consumer Advocate



By the Consumer Advocate, D. Maurice Kreis

Dated: November 27, 2017

**Staff of the New Hampshire Public Utilities
Commission**



By its Attorney, Suzanne Amidon

Dated: November 27, 2017

Exelon Generation Company, LLC

By its Attorney, Daniel W. Allegretti

Dated: November 27, 2017

EnerNOC, Inc.

By its Attorney, Marcia A. Brown

Dated: November 27, 2017

**Staff of the New Hampshire Public Utilities
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By its Attorney, Suzanne Amidon

Dated: November 27, 2017

Exelon Generation Company, LLC

By is Attorney, Daniel W. Allegretti

Dated: November 27, 2017

EnerNOC, Inc.

Marcia A. Brown

By its Attorney, Marcia A. Brown