

THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF FREDERICK B WHITE
FEBRUARY 1, 2020 THROUGH JULY 31, 2020
DEFAULT ENERGY SERVICE RATE CHANGE

Docket No. DE 19-082

1 **I. INTRODUCTION**

2 **Q. Please state your name.**

3 A. My name is Frederick B. White.

4 **Q. Mr. White, please provide your business address and title.**

5 A. My business address is 107 Selden St, Berlin, Connecticut. I am a Supervisor in the
6 Electric Supply department of Eversource Energy.

7 **Q. Mr. White, please describe your responsibilities at Eversource Energy.**

8 A. I supervise and provide analytical support required to fulfill the power supply
9 requirement obligations of Public Service of New Hampshire, d/b/a Eversource
10 Energy (“Eversource” or the “Company”), including conducting solicitations for the
11 competitive procurement of power for Energy Service (at times referred to herein as
12 “ES”) and for fulfilling Renewable Portfolio Standards (“RPS”) obligations. I am
13 also responsible for on-going activities associated with independent power
14 producers and purchase power agreements.

15 **II. PURPOSE**

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to support the Company’s request for Commission
18 approval of Eversource’s planned procurements of full requirements power from
19 wholesale energy providers and Energy Service rates for both the Large and Small
20 Customer groups for the period February 1, 2020 through July 31, 2020. Energy
21 Service is provided to retail customers who are not taking service from a

1 competitive supplier and is currently provided to approximately 41% of
2 Eversource's total distribution load. Load requirements may change from time to
3 time and winning suppliers are responsible for their share of Large or Small Energy
4 Service supply regardless of changes in customer demand for any reason, including
5 daily load fluctuations, increased or decreased usage, demand-side management
6 activities, extreme weather and similar events. Suppliers are required to supply
7 their share of load for the full delivery term of February 2020 through July 2020.
8 My testimony will describe the solicitation process used by Eversource to procure
9 full requirements power, the results of the solicitation and selection of suppliers,
10 and the development of the RPS rate adder.

11 **Q. Please provide a list of attachments to your testimony.**

12 A. FBW-1 Energy Service RFP for February 1, 2020 through July 31, 2020
13 FBW-2 RFP Results and Selection of Suppliers
14 FBW-3 Proxy Prices
15 FBW-4 RPS Rate Adder
16 FBW-5 Executed Transaction Confirmation – HQUS - Large
17 FBW-6 Executed Transaction Confirmation – NextEra - Small
18 FBW-7 Executed Transaction Confirmation – Vitol - Small
19 FBW-8 Executed MPSA – HQUS
20 FBW-9 Executed MPSA - Vitol

21 **III. ENERGY SERVICE SOLICITATION PROCESS**

22 **Q. What is the background leading to Eversource procuring Energy Service from**
23 **competitive wholesale suppliers?**

24 A. On June 10, 2015, and following extensive negotiations, Eversource and numerous
25 other parties filed the 2015 PSNH Restructuring and Rate Stabilization Agreement
26 (the "2015 Agreement"), which was approved by the Commission along with a
27 related litigation settlement in Order No. 25,920 (July 1, 2016).

1 Consistent with the 2015 Agreement, on June 29, 2017 Eversource filed a petition
2 and supporting testimony with the Commission seeking approval of a proposal for
3 procuring and providing default Energy Service to customers on a competitive
4 basis, rather than through its previous paradigm of a managed portfolio with owned
5 generation resources. This filing initiated Docket No. DE 17-113, “Petition for
6 Approval of Energy Service Supply Proposal.” Following discussions among the
7 parties to that docket, a Settlement Agreement was reached which described the
8 method of and timing for Eversource’s transition to competitively procured Energy
9 Service following the sale of its thermal generating assets. That Settlement
10 Agreement was approved by Order No. 26,092 (December 29, 2017).

11 Consistent with the Settlement Agreement in Docket No. DE 17-113, Eversource
12 conducted its initial solicitation for full requirements ES (not including RPS
13 obligations) for the period April 1 through July 31, 2018. Also consistent with the
14 Settlement Agreement, going forward, subsequent solicitations are to be made for
15 service effective in the August through January, and February through July periods.

16 **Q. Please describe the process Eversource used to procure its Energy Service**
17 **supply for February 1, 2020 through July 31, 2020.**

18 A. Eversource conducted its procurement of Energy Service supply in accordance with
19 applicable law, Commission directives, and the Settlement Agreement approved by
20 the Commission in Order No. 26,092, and consistent with the manner of similar
21 solicitations for other companies throughout New England. On October 31, 2019,
22 Eversource issued a request for proposals (“RFP” – Attachment FBW-1) for power
23 supply services for Eversource’s Energy Service covering both the Large and Small
24 Customer groups. The RFP was issued to over 100 potential suppliers and all
25 members of the New England Power Pool (“NEPOOL”) Markets Committee, and
26 posted on Eversource’s Wholesale Supply (New Hampshire) website. Therefore,
27 the RFP had wide distribution throughout the New England energy supply
28 marketplace.

1 Proposals were to be stated on an “as-delivered” energy basis to Pool Transmission
2 Facilities (“PTF”) within the Eversource metering domain, with prices stated
3 monthly on a fixed \$/MWH basis. Prices could vary by calendar month, but were
4 required to be uniform for the entire calendar month and cover the entire delivery
5 term. The Small Customer group was divided into four tranches and the Large
6 Customer group was one tranche. The prices for each tranche and customer group
7 could be different. In addition, prices could not contain demand components or
8 vary by time-of-use within a calendar month. Each tranche for each customer
9 group was evaluated separately. Offers were due on December 3, 2019, winning
10 suppliers were selected the same day, and transaction confirmations were executed
11 the following day.

12 **III. ENERGY SERVICE SOLICITATION RESULTS**

13 **Q. Did Eversource receive acceptable responses to the RFP and select winning**
14 **proposals for serving Energy Service load?**

15 A. Yes. Eversource received multiple conforming proposals on December 3, 2019.
16 Eversource evaluated the offers and selected winning suppliers based on lowest
17 price by customer group using a forecast of monthly Energy Service load by
18 customer group, compliance with non-price bidding requirements and bidder
19 qualifications, and risk relative to price and ability to serve the load, in accordance
20 with the RFP. On December 4, 2019, Eversource entered into Transaction
21 Confirmations for the period February 1, 2020 through July 31, 2020 with the
22 winning suppliers for the Large and Small Customer groups. Together, a
23 Transaction Confirmation and a Master Power Supply Agreement (“MPSA”),
24 provide the terms for the purchase of Energy Service from a supplier, and both have
25 been executed for all the winning suppliers. Copies of executed Transaction
26 Confirmations and executed MPSAs with H.Q. Energy Services (U.S.) Inc. and
27 Vitol Inc. are included in this filing as Attachments FBW-5 thru 9. The executed
28 MPSA with NextEra was previously provided in Eversource’s filing on December
29 13, 2018 in Docket 18-002.

1 **Q. Please discuss the offers received and the analysis leading to the selection of**
2 **winning suppliers.**

3 A. The offers received and the identification of winning offers are shown in
4 Attachment FBW-2. In addition to ranking by price and the ability to meet credit
5 requirements, Eversource also considered the following regarding each supplier:
6 experience in providing similar services to Eversource; demonstrated understanding
7 of the market rules related to the provision of Energy Service; demonstrated
8 understanding of its obligations under the MPSA; and any past or present events
9 that are known that may adversely affect their ability to provide Energy Service.
10 Eversource has previously experienced successful full requirements power supply
11 transactions with NextEra and Vitol, successful energy transactions with HQUS,
12 and all have demonstrated good competence throughout the terms of those
13 transactions. HQUS has previously participated in full requirements power supply
14 solicitations with Eversource affiliates. No suppliers were downgraded by any prior
15 experiences and all have met the credit requirements outlined by the MPSA and
16 RFP. Eversource concluded that all responding suppliers were qualified to provide
17 Energy Service and therefore selections were based on lowest prices.

18 **Q. Did Eversource have a market price expectation as to the results of the**
19 **procurement, and how did results compare to expectations?**

20 A. Eversource independently prepares a “proxy” supplier price – our own internal
21 analysis, prepared on the same date as suppliers’ offers are due, to evaluate the
22 reasonableness of the offers received. While a sound process properly run, and
23 robust participation, are the most preferred attributes of any open solicitation
24 process, a consistently calculated proxy price can also serve to calibrate offers
25 received to an objective reference point and may provide some credibility or “feel”
26 for the veracity of outcomes. Eversource’s affiliates have in other jurisdictions over
27 the past many years utilized an approach described below, and the Company has
28 replicated that approach for use in this solicitation.

1 In current markets, energy and capacity costs represent approximately 85-90% of
2 the full requirements cost to serve load (excluding RPS requirements). Eversource
3 calculates the costs of those components, and then applies low and high factors to
4 account for all other cost elements. The energy component is calculated utilizing
5 forecasted monthly loads, the number of peak and off-peak hours in each month of
6 the delivery term, and peak and off-peak energy market prices as of the RFP due
7 date, to arrive at a load-weighted average energy cost for the term. For the capacity
8 component, Eversource converts ISO-NE's forecast of regional capacity costs
9 (based on known capacity prices) and loads to monthly \$/MWh rates, and then uses
10 the same forecasted monthly loads as for the energy component to arrive at a load-
11 weighted capacity price for the term. In attachment FBW-3 these components are
12 shown in the first eleven rows of each of the Large and Small Customers tables.
13 The low and high factors mentioned above are applied to the energy component and
14 incorporate other cost elements such as hourly load weighting, ancillaries, ISO-NE
15 administrative costs, and supplier risk premiums and profits. The ratioed-energy-
16 components and capacity component are then added together to provide a range
17 within which suppliers offers might be expected to fall.

18 The factors are developed from prior winning offers by removing the then-
19 applicable capacity component, and dividing the net by the then-calculated energy
20 component. Over time a family of factors from several prior RFPs are accumulated,
21 and from that group the low and high factors are used to set the range for an
22 upcoming RFP. The Company has "borrowed" the factors from other jurisdictions
23 where Eversource conducts full requirements service RFPs and will over time
24 incorporate more iterations from New Hampshire solicitations until only New
25 Hampshire RFP results are utilized. Factors developed from the Company's four
26 prior RFPs have been incorporated into the group of historical factors used in the
27 evaluation of this RFP's results.

28 To be sure, there is not a perfect approach that can account for all the current inputs
29 and factors that go into suppliers' decisions affecting their current offers. The

1 approach Eversource uses is intended to represent an approximation of where offers
2 may come in based on winning suppliers' approaches during previous solicitations.
3 Overall, the analysis is based on some known market prices and the Company's
4 knowledge and experience in the New England power markets. The proxy price
5 results are shown in Attachment FBW-3, to which suppliers' period average prices
6 from FBW-2 can be easily compared. The company views the winning offers for
7 both Large and Small customers, when compared to projected price ranges, as
8 reasonable and acceptable.

9 **IV. RENEWABLE PORTFOLIO STANDARDS**

10 **Q. Previously you stated that the procurement of full requirements Energy**
11 **Service did not include RPS obligations. How will Eversource fulfill the RPS**
12 **requirements associated with Energy Service?**

13 A. In accordance with the Settlement Agreement in Docket No. DE 17-113,
14 Eversource will manage its RPS needs outside of the ES RFP process. Consistent
15 with the manner employed by Eversource for ES customers in New Hampshire over
16 many previous years, by Eversource's affiliated companies in other jurisdictions,
17 and by other New Hampshire utilities, Eversource will fulfill RPS requirements
18 through purchases from the issuance of periodic RFPs, through purchases directly
19 from producers, or through the bilateral market.

20 Regarding fulfillment of Class I Renewable Energy Certificate ("REC")
21 requirements, Eversource will continue to purchase Class I RECs from the Burgess
22 BioPower and Lempster Wind facilities under existing PPAs. The REC amounts
23 purchased from these sources may more than meet Energy Service obligation
24 quantities, eliminating the need for other Class I purchases.

25 **Q. How will RPS requirements be reflected in Energy Service customers' rates?**

26 A. Eversource has established a RPS Adder rate based on REC class percentage
27 requirements, current market price information as of the full requirements power

1 supply RFP due date, and any RECs currently existing in inventory. Development
2 of the RPS Adder is outlined in Attachment FBW-4. In this manner, the RPS
3 component of Energy Service rates will reflect the current expected cost of RPS
4 compliance obligations. The RPS Adder and the rate developed to recover the costs
5 of full requirements power supply procurements from suppliers will be two
6 components of the overall Energy Service rate. Please refer to Ms. Menard's
7 testimony which addresses Energy Service rate development.

8 **Q. Are there any provisions unique to the Burgess BioPower and Lempster Wind**
9 **PPAs due to the situation discussed above?**

10 A. Since the 2015 Agreement calls for the costs of those PPAs to be recovered via the
11 Stranded Cost Recovery Charge ("SCRC"), a transfer price must be set for Class I
12 RECs obtained under those PPAs which are used to satisfy the RPS compliance
13 needs of ES customers. Eversource has established the Class I transfer price
14 according to the Settlement Agreement and the methodology described in the June
15 28, 2017 Joint Testimony of Shuckerow, White and Goulding in Docket No. DE
16 17-113. The \$/REC transfer price is the current market price for Class I RECs
17 shown in Attachment FBW-4, and the volume of Class I RECs needed for RPS
18 compliance for Energy Service during February 2020 through July 2020, will be
19 transferred at that price.

20 **V. CONCLUSION**

21 **Q. How does Eversource view the outcome of its solicitation for the provision of**
22 **Energy Service for February 1, 2020 through July 31, 2020?**

23 A. Eversource believes this filing describes a successful solicitation process resulting
24 in reasonable market-based power supply rates for the Company's Energy Service
25 customers.

26 **Q. What is the plan for the provision of Energy Service after July 31, 2020?**

1 A. Eversource plans to issue a RFP for the Large and Small Customer groups in late
2 April 2020 for Energy Service over the period August 1, 2020 through January 31,
3 2021. For purposes of notice to the Commission, the following illustrates
4 Eversource's proposed schedule for the next RFP:

5 Issue RFP	Thursday, April 30, 2020
6 Final Offers Due	Tuesday, June 2, 2020
7 Filing	Thursday, June 4, 2020
8 Requested PUC Decision	No Later Than, Thursday, June 11, 2020

9 **Q. Does that complete your testimony?**

10 A. Yes, it does.