STATE OF NEW HAMPSHIRE before the PUBLIC UTILITIES COMMISSION

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

DOCKET NO. DE 22-021

2022 Energy Service Solicitation

DIRECT TESTIMONY OF

James R. Shuckerow Parker Littlehale

Alternate Procurement Plan and Cost Recovery for Default Energy Service

November 15, 2022

DIRECT TESTIMONY OF JAMES R. SHUCKEROW AND PARKER LITTLEHALE

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1 I. Introduction

2 Q. Mr. Shuckerow, please state your full name, position and business address.

3 A. My name is James R. Shuckerow. My business address is 107 Selden Street, Berlin,
4 Connecticut.

5 Q. By whom are you employed and in what capacity?

A. I am the Director, Electric Supply for Eversource Energy Service Company ("ESC"). In this
position, I am responsible for procurement of wholesale power supply contracts for
Eversource Energy customers in Connecticut, Massachusetts, and New Hampshire who have
not selected retail power supply. In this role, I oversee the procurement of wholesale power
supply contracts for Basic Service customers of Public Service Company of New Hampshire
d/b/a Eversource Energy ("Eversource" or the "Company"). I also oversee Renewable
Portfolio Standard ("RPS") compliance obligations and Renewable Energy Credit ("REC")

purchases and sales activities for the Eversource Energy operating companies in all three
 states.

3 Q. Please summarize your educational background and professional experience.

A. I graduated from Purdue University in West Lafayette, Indiana in 1974 with a Bachelor of
Science in Mechanical Engineering. In 1985, I graduated from the University of Connecticut
in Storrs, Connecticut with a Master of Business Administration. I began working as an
Engineer at Northeast Utilities (now Eversource Energy) in November 1979. In 1985, I was
promoted to Supervisor of Generation Regulatory Analysis. In 1987, I was promoted to
Manager of Capacity Planning. In 1991, I was promoted to my current role of Director of
Electric Supply.

11Q.Have you previously testified before the New Hampshire Public Utilities Commission or12any other regulatory agencies?

A. Yes. I have previously testified before the New Hampshire Public Utilities Commission (the "Commission") in this docket. I have also sponsored testimony in the past before the Massachusetts Public Utilities Commission and the Connecticut Public Utilities Regulatory Authority in relation to wholesale power market and energy procurement matters.

17 Q. Mr. Littlehale, please state your full name and business address.

18 A. My name is Parker Littlehale. My business address is 247 Station Drive, Westwood,
19 Massachusetts 02090.

Q. By whom are you employed and in what capacity? A. I am Manager of Wholesale Electric Supply for ESC. In this role, I am responsible for procuring electric power supply and Renewable Energy Certificates for New Hampshire and Massachusetts customers who have not chosen a competitive power supplier.

5 Q. Please describe your educational background and employment experience.

A. I received a Bachelor of Arts degree from the University of New Hampshire and a Masters of
Business Administration from Suffolk University. I joined Eversource in 2017 as a member
of The Evaluation Team selecting clean energy and offshore wind projects for long-term
contracts under Massachusetts law. In December of 2021, I was promoted to my current role.
Prior to joining Eversource, I spent over ten years at Cambridge Energy Research Associates
(CERA), which ultimately became S&P Global after a series of acquisitions, researching the
electric utility business in general and power markets in particular.

13 Q. Have you previously testified before the Commission or any other regulatory agencies?

A. Yes, I have previously testified before the Commission for the previous solicitation in this
 docket. I have also presented testimony before the Massachusetts Department of Public
 Utilities in D.P.U. 18-76.

17 Q. What is the purpose of your testimony?

A. Our testimony is provided in conjunction with the Company's Motion for Amendment to Default Service Energy Procurement Process and Amendment to Procedural Schedule, filed with the Commission on this date (the "Motion"). The Motion requests that the Commission take remedial actions to mitigate supply and pricing risks for Eversource's electric customers.

This remedial action would be accomplished by: (1) modifying the Commission's established 1 default-service procurement regimen to allow Eversource to undertake its own market-based 2 procurements of electric supply as allowed by ISO-NE market rules for LSEs under certain 3 circumstances; and (2) instituting a procedural sequence that prioritizes the use of competitive 4 solicitations; provides Eversource with productive input to make time-sensitive procurement 5 decisions that will ultimately have to be approved by the Commission (without reasonable 6 7 alternatives); and assures that adequate electric supply is available for default-service customers at market-based pricing over the service period February 1, 2023 through July 31, 8 9 2023. These remedial actions will protect the interests of customers while remaining consistent with the principles of the competitive market design enshrined in New Hampshire's 10 11 Electric Restructuring Act.

If the Commission authorizes the Company to proceed with direct, market-based procurements under circumstances where the competitive bid solicitation for default-service supply has failed, in whole or in part, our testimony further describes how the Company could procure power supply for the affected customers in the ISO-New England ("ISO-NE") day ahead market. Our testimony also describes how the Commission would set the default service rate for default service customers and would allow recovery and reconciliation of the Company's default-service costs in relation to the alternative procurement plan.

19 **Q.**

How is your testimony organized?

A. Following this introductory section, Section II provides background on the Company's default
 service RFP process and circumstances that may come into play on December 6, 2022, which

1	is the day that bids are due in response to the RFP that the Company issued on October 27,
2	2022. Section III provides a description of the Company's alternative market-based
3	procurement approach, which would involve procurement of energy supply for the service
4	period, February 1, 2023 through July 31, 2023, in the ISO-NE day-ahead market, including
5	alternatives considered in conjunction with this plan. Section IV presents the proposed default
6	service rate setting approach for the Company's customers during the service period if the
7	Company is authorized to proceed with market-based procurements. Section V presents the
8	Company's proposal for cost recovery and reconciliation of the costs it will incur under the
9	alternative procurement plan. Section VI discusses tariff provisions and considerations for
10	customer notice in relation to the alternative procurement plan and pricing.

11 Q. Are you sponsoring any exhibits with your testimony?

12 A. Yes. In addition to our testimony, we are sponsoring the following attachments:

13 Attachment JRS/PL-2: Power Point presentation from November 10 prehearing conference

14 II. Background on the RFP Process and Procurement Results

15 Q. How does the Company typically solicit default energy service supply?

A. The Company's existing procurement process was established in Docket No. DE 17-113 (Order No. 26,029, dated December 29, 2017) (the "Order"). Specifically, Docket No. DE 17-113 addressed: (1) the Company's practice for procuring and supplying energy service to customers; (2) the method for setting energy service rates; (3) the proposed method for reconciliation of any over- or under-collections; and (4) the tariff amendments needed to implement the procurement and supply framework for effect on January 1, 2018 (Order at 2).

1	The docket was resolved by a settlement reached by and among the Staff of the New
2	Hampshire Public Utilities Commission (now the Staff of the Department of Energy or
3	"DOE"), the Office of the Consumer Advocate ("OCA"), Exelon Generation Company, LLC,
4	and EnerNOC, Inc. (the "Settlement Agreement").

Among other elements, the Order requires that the Company shall undertake "the solicitation of power requirements by issuing an RFP to the competitive market for full-requirements power supply for customers who do not take energy service from a competitive supplier" (Order at 15). In approving the Settlement Agreement and associated procurement process in that docket, the Commission noted that the "process is expected to result in market prices, and thus will promote choice for customers who can select an electric service product from a competitive supplier, or default energy service offered by Eversource" (<u>id</u>.).

Neither the procurement process established in the Settlement Agreement, nor the terms of 12 the Commission's approval of the Settlement Agreement allow for Eversource's direct 13 procurement of default-service supply from the market rather than undertaking procurement 14 through use of a "sealed bid RFP." To the contrary, the Settlement Agreement states that 15 "any party may, in the future, petition the Commission to amend the manner of [energy 16 service] procurement and supply should circumstances warrant a change and Staff, the OCA 17 and Eversource agree to participate in such a docket. Eversource agrees to continue to 18 19 evaluate procurement methods other than sealed bid RFP" (Settlement Agreement at Section II.C, at 5)(emphasis added). 20

1	Q.	Did the Company issue an RFP for the service period as part of its normal process?
2	A.	Yes. On October 27, 2022, the Company released an RFP requesting wholesale power supply
3		bids to provide default service supply in eight tranches for the Service Period (February 1,
4		2023 through July 31, 2023). The RFP was issued via email to approximately 418 market
5		participants. The RFP required responses to be submitted by suppliers on December 6, 2022,
6		at 10:00 a.m. ¹
7 8	Q.	What is the size of the default service load for the Company's New Hampshire customers?
9	A.	In New Hampshire, 100 percent of default service load is procured in December of each year
10		for a six-month term starting February 1 and running through July 31. Default service supply
11		for residential and small commercial customers is procured in eight tranches, each providing
12		12.5% of load. For large commercial & industrial customers, the Company procures two
13		tranches of 50% of the load.
14 15	Q.	What does the Company expect to receive in terms of bids submitted in response to the RFP?
16	A.	Based on the Company's recent experience in Connecticut and Massachusetts, there is a
17		distinct possibility that the Company will receive bids from only 1-2 bidders and that prices
18		may be outside what has been historically considered to be an acceptable range and unrelated
19		to market prices. Conversely, it is possible that the Company receives bids on December 6
20		that are reasonable under these exceptional market circumstances. However, the conditions

¹ The current RFP can be found here: https://www.eversource.com/content/docs/default-source/doing-business/rfp-nh.pdf?sfvrsn=e470c662_32

exist for a partially or fully failed RFP that either does not cover all default service load or that produces bids that are so far beyond the pale of market reflectiveness that those bids have to be deemed unacceptable. It is because of these circumstances that Eversource needs to have the ability to deviate from the existing, Commission-approved process to assure the company is positioned to fulfill its mandated role of providing default service to customers, which cannot be disrupted. In particular, the Company will need the flexibility to reject unacceptably high-priced bids.

Q. What are the circumstances driving the Company's concerns regarding the results of the RFP process?

A. The high wholesale energy prices and extreme volatility in the wholesale market has caused liquidity to decrease and the increased possibility of load migration has made load certainty decrease as well, so there are fewer bidders. The failure of the wholesale market is affecting solicitations for default service supply across New England jurisdictions leading to situations where there is an insufficient number of bidders and bids; price offers are inordinately high, and not reasonably reflective of actual market prices; and bids may not cover the full load requirements solicited, leaving some load unfulfilled.

17 III. Alternative Means of Procuring Default Service Supply for the Service Period

18Q.Is Eversource proposing an alternative means of providing default service supply in the19event of a failed RFP?

A. Yes. Eversource proposes an alternate means of providing default service supply in which
 the Company would avail itself of a process that is established in ISO-NE's market rules

allowing for "market-based procurements" for default service customers during the service
 period.

Q. Would you briefly describe how direct, market-based procurements would work to allow Eversource to serve default service supply?

Yes. Under this process, the Company would assume responsibility for managing the load 5 A. 6 asset for default energy service load in the ISO-NE market. These responsibilities will include scheduling the Default Service load in the ISO-NE Day Ahead Energy Market. ISO-NE 7 prefers load assets with significant load to be scheduled in the Day Ahead Market. In this 8 scenario, where there are no acceptable supplier bids to cover the load, instead of a supplier 9 accepting the load asset responsibility, Eversource will be responsible for scheduling the load 10 the Day Ahead Market. In effect, this approach means that the Company is effectively buying 11 energy from the ISO-NE hourly energy market. The Company is currently using this process 12 in the Northeast Massachusetts Reliability Region (NEMA) for Commercial & Industrial 13 customers during the October through December 2022 time period. 14

15 Q. What is the ISO-NE Day Ahead Energy Market?

A. The ISO-NE Day-Ahead Energy Market allows market participants to commit to buy
 wholesale electricity one day before the operating day. The market produces a daily financial
 settlement that refers to the Load Zone Price (\$/MWh) that is assigned to load submitted in
 the Day Ahead Market.

20 Q. What is the process for load pricing on the ISO-NE Day Ahead Energy Market?

21 A. For next day load pricing, the forecasted load is submitted via ISO-NE "eMarket" software,

which is used by all Market Participants to submit their expected load values to the ISO-NE
Day Ahead Market by 10:30 a.m. By 1:00 p.m. that day, ISO-NE publishes the Day Ahead
hourly prices that are associated with the submitted load. The submitted load is subject to
Energy, Forward Capacity, Ancillary Service, and other ISO-NE charges such as the Mystic
RMR Cost of Service Agreement and documented in the ISO-NE monthly bill.

6 Q.

Q. What is the process for load forecasting?

A. The load submitted to ISO-NE will be modeled by a load forecasting service, work for which
Eversource would have to contract with a vendor. The forecast model is built using five-year
historical default service load and accounts for the near-term weather forecast specific to New
Hampshire.

11 Q. How will the Company manage this process?

A. The process would begin on February 1, 2023. Each day during the Service Period, the Company will purchase energy in the ISO-NE spot market. The price will vary day by day. Specifically, the Company will use the following two steps each day to notify ISO-NE of its expected next day load for each hour: (1) the load forecast is obtained from the Company's vendor load forecast software that uses historical load and local weather in its algorithm to produce the next day load forecast; and (2) the next day load forecast is then submitted to ISO-NE's eMarket.

Q. What are the types of costs the Company will incur in executing this alternative means of providing default energy service to customers?

A. The market costs of managing the load through in this manner will be the daily submitted load

times the zonal price assigned to the load. Additional charges for the load will be identified
in the ISO-NE monthly bill, which will be based on Energy (actual vs submitted load),
Forward Capacity, Ancillary Service, and other ISO-NE charges such as the Mystic RMR
Cost of Service Agreement. However, these costs are the same costs that are included in the
RFP bids that the Company receives, as these charges are part of full requirements Default
Service. Eversource would incur modest incremental costs for contracting with the vendor
that would develop the forecasting model.

Q. Aside from this alternative, would the Company be likely to secure more competitive bids if it were to issue a second RFP for default service after a Commission order is issued after the December 13 hearing?

A. No. A second RFP just a few weeks after the first would be unlikely to result in a different 11 outcome and is a risky proposition for customers. Although the possibility cannot be ruled 12 out that a new bidder could emerge, or a prior bidder could be more competitive, it is 13 Eversource's judgment that supply risk would be multiplied for customers if a second RFP 14 process were to be conducted. Eversource cannot go back and re-engage rejected bids and 15 the Commission's rejection will resonate in the market and almost certainly inhibit the 16 likelihood of bids for a second RFP for this service period as well as RFPs for future service 17 periods, due to heightened sense of risk. As a result, defaulting to a second RFP is unlikely 18 19 to produce better or even similar results, if bidders participate at all. That said, the Company 20 is not looking to conduct market-based procurements unless it is a last resort and would only 21 do so with the approval of the Commission.

1Q.Are there risks to customers should the Company undertake a process of making direct,2market-based procurements to serve default energy service customers?

3 A. Yes. If the Company were to undertake procurements in the manner described, customers are exposed to spot-market prices. Therefore, the prices the customers will ultimately pay 4 following a reconciliation for actual costs will be a function of where the price for energy 5 ultimately settles in the ISO-NE market. The Company would not make any forward energy 6 7 buys or sells to mitigate price or load volatility but instead will be a price taker at whatever the ISO-NE market settles. Although this exposes customers to the volatility of the spot 8 market, there is the possibility that price volatility will occur on a limited number of days, and 9 10 in any event will maintain fidelity with market-reflective pricing. Even with this volatility, this may be a better choice for customers where the bid offers submitted in response to the 11 RFP are substantially over market and those exorbitantly high prices are applicable to the 12 entire service period. Whether the Company's direct, market-based procurements result in a 13 price that is higher or lower than bid prices in the final result is impossible to discern in 14 advance. Moreover, market-based procurement will be a necessity where the bid solicitation 15 does not cover the full load requirements, which is a distinct possibility. Therefore, reasoned 16 judgments must be made regarding the integrity and value of bid offers that do not appear to 17 be reflective of market conditions. 18

19

Q. What is the Company's proposal for cost recovery?

A. The Company does not propose any modifications to currently effective cost recovery methods for Default Energy Service Supply. Eversource would propose a six-month rate for February through July for Residential and Small Commercial customers and a monthly rate

for Large Customers. No change to the existing rate design is needed to accommodate this alternative means of procurement. To determine a reasonable price for the portion of load covered by market-based procurement, the highest-priced of the acceptable bids received would be used, and if no bids are accepted, price would be based on current market conditions and recent acceptable bids received in neighboring jurisdictions. The Commission would approve the rate in an order following the December 13 hearing to take effect on February 1, 2023.

8 Q. How would the costs be reconciled for the Service Period?

A. Costs would be recovered through Eversource's June 2023 reconciliation rate filing,
consistent with default service process. Along with any contractual commitments, the annual
reconciliation will be a function of prices obtained in purchasing supply and ancillary costs
from the daily ISO-NE market as opposed to a fixed, contractual six-month price. Renewable
Portfolio Standard ("RPS") compliance obligation costs will also be included in the
reconciliation, as will the minimal incremental costs mentioned above.

15

IV. Pre-Designated Procedural Sequence

16Q.Why is Eversource requesting that the Commission establish a pre-designated17procedural sequence for the upcoming bid evaluation process?

A. Current conditions in the wholesale market for energy supply are creating circumstances where the competitive solicitations through an RFP process are not a dependable mechanism in terms of producing competitive bids that would adequately cover the Company's defaultservice load at price that is reasonably correlated to prevailing market prices. In New

Hampshire, Eversource procures 100 percent of the default-service supply through a single, 1 90-day process established in the Settlement Agreement approved in Docket DE 17-113. 2 Under current market conditions, Eversource needs to have flexibility to conduct market-3 based procurement where the competitive bids fall short of supplying the full default-service 4 load and/or the price offers put forth in the bids are not reflective of prevailing market prices. 5 Without this flexibility, it is conceivable that insufficient supply and/or supply at an exorbitant 6 7 price is a resulting circumstance that cannot be cured by the Company through a subsequent The Commission's authorization of "backstop flexibility," allowing the 8 RFP process. 9 Company to undertake direct, market-based procurement under certain circumstances is an imperative. 10

As discussed at the prehearing conference conducted on Thursday, November 10, 2022, in this context, Eversource is concerned about the importance of being prepared and having sufficient process in place to address all possible scenarios resulting from the current RFP. Service for default energy customers is at stake and that service must be assured.

15 Q. What is Eversource's proposal for a pre-designated procedural sequence?

A. Given the nature of the RFP solicitation requiring acceptance of bids in an exceedingly short time window so that bids can be locked in by the selected competitive supplier in the midst of a highly volatile market environment, the Company is requesting that the Commission consider implementing the backstop flexibility of the market-based procurement approach within the context of procedural modifications designed to assure that all relevant inputs are factored into the procurement decision. Eversource also requests that the Commission

1	consider a more consultative	e and collaborative approach to the review of bids on December
2	6th that would involve the	potential participation of all stakeholders to obtain the most
3	complete information and in	nput available so that the Company can best navigate the results
4	of a bid solicitation that coul	d fail in whole or in part. The objective is to chart a path forward
5	that maintains market-based	l prices to the extent possible and that, at the very least, has a
6	backstop procurement strate	egy in place that will have customers paying as close to market
7	prices as possible, if the bid	solicitation should fail to any degree.
8	Specifically, Eversource pro	poses the following sequence (requested modifications in red):
9 10 11 12	November 15, 2022	Eversource will file a succinct request to amend existing procurement process to use direct, market-based procurement as a contingency to fulfill any load requirements not met by competitive supply contracts.
13 14 15 16	December 2, 2022	Commission issues a Procedural Order regarding solicitation process and authorization for direct market-based procurement method in the event of partial or full failure of RFP, and adds the below proposed confidential technical session.
17	December 6, 2022	Bids received at 10:00a.m.; analysis assembled by Eversource.
18 19 20 21 22 23	December 6, 2022	Noticed, confidential technical session held on bid day at 11-12 p.m. to review bids and bid analysis and to receive input from OCA, DOE and/or PUC, if any. Eversource will share bid pricing, load coverage and analysis to inform consensus guidance. Consensus will not absolve Eversource of prudent management of procurement process.
24 25	December 6, 2022	Review and sign-off by Eversource Risk Committee at 1-2:30 p.m.
26	December 6, 2022	Acceptance of bids, if any, by 3:00 p.m.
27 28 29	December 8, 2022	Eversource will file for approval of default service procurement, including request for approval of any contracts executed through the bid-solicitation process and use of

1 2 3 4 5		lo in to	market-based procurement through ISO-NE for any portion of oad not covered by executed contract, if any. Eversource will nclude testimony, explanation and supporting documentation o support approval of default service procurements with pricing for February 1, 2023.
6 7 8		tl	Requested date for Commission order approving or rejecting he Company's proposed bid selections and/or alternative neans.
9		If authorized by the Commissi	ion, and depending on the results of the RFP, the Company's
10		filing for Commission review on December 8 may include a proposal for direct, market-based	
11		procurement by Eversource	for New Hampshire default service customers under
12		circumstances where the RFP l	has failed to produce adequate supply at a market-based cost.
13		Authorization for this "altern	native means" would be granted in the December 2, 2022
14		Procedural Order of the Comm	nission so that the Company has this tool available to it during
15		the five-hour selection proces	as (10:00 a.m. to 3:00 p.m. on December 6). Eversource's
16		decision to rely on direct, mar	ket-based procurement for some or all of the default service
17		load requirements following	the receipt of bids would be subject to approval of the
18		Commission as part of the Dec	ember 8 filing.
19 20	Q.	What happens if the Commis 8, 2022 presenting the results	ssion rejects the filing made by the Company on December s of the bid solicitation?
21	A.	In the event that the Commissio	on decides to reject the Company's December 8 filing, the only
22		remaining option will be for th	he Commission to direct the Company to undertake a second
23		RFP process prior to the imple	mentation of direct, market-based procurement by Eversource

indicates that a second solicitation is unlikely to be successful and may create risk for New

24

as an "alternative means" of serving default service customers. Eversource's experience

Hampshire's default service customers. However, this option is available should the
 Commission determine that circumstances warrant this approach.

3 Q. What is the purpose of the noticed, confidential technical session?

A. Eversource's request for a confidential technical session on bid day is designed for the primary 4 purpose of providing a forum for careful deliberation in extraordinary circumstances so that 5 the Company has the most complete information upon which to make its decision. The 6 session in no way abdicates Eversource's responsibility to manage default service in a prudent 7 manner, nor is the Company seeking an advanced prudence determination. Based on the bids 8 9 received, the options for default service supply may be limited; the options may not be sufficient to cover the full load requirements and/or may not be reflective of prevailing market 10 prices. Consultation and discussion on December 6 at 11-12 p.m. would allow the DOE, OCA 11 and the Commission, at their own option, to provide input to Eversource's decision-making 12 process at a point when there may be options for customers that require policy calls as to 13 whether the pricing is "market-based" and acceptable for customers as compared to pricing 14 that would result from direct, market-based procurement by Eversource. 15

Eversource has the experience and expertise to evaluate the bids and will, no matter the circumstances, make a decision using its best business judgment for presentation to the Commission that balances the need to obtain adequate default-service supply with the objective of obtaining a market-reflective cost. However, once the decisions are made by 3 p.m. on bid day, further options may not exist for customers meaning that, for all intents and purposes, the decision made by 3 p.m. that day is likely to be decisive for customers,

1		notwithstanding any future filing for the Commission's review and approval. Under these
2		circumstances, it may be important for the OCA, DOE and the Commission to weigh in to
3		provide input on New Hampshire policy preferences and risk tolerances in regard to how
4		market-reflective Default Energy Service should be, at a time when influence over that
5		decision can still be exercised.
6	V.	Conclusion
7 8	Q.	When does the Company require an order from the Commission on its alternative means of default service procurement?
9	A.	As discussed herein, in relation to the proposed pre-designated procedural sequence, the
10		Company is requesting that the Commission authorize the use of direct, market-based
11		procurement in a Procedural Order to be issued no later than December 2, 2022. This date is
12		necessary to inform the bid decisions contemplated on December 6, 2022.
13	Q.	Does this conclude your testimony?
14	A.	Yes.