

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-113

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a
EVERSOURCE ENERGY**

Petition for Approval of Energy Service Supply Proposal

Order Approving Settlement Agreement Modifying Initial Proposal

ORDER NO. 26,092

December 29, 2017

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Orr & Reno by Douglas L. Patch, Esq., on behalf of NextEra Energy Marketing, LLC; Davis, Malm & D'Agostine, PC, by Robert J. Munnely, Jr., Esq., on behalf of Retail Energy Service Supply Assn.; the Office of the Consumer Advocate by Brian D. Buckley, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves the process Eversource will use to solicit power from the competitive market following divestiture of its generation assets. For the first three months of 2018, Eversource will deliver energy service to its customers who haven't selected a competitive energy supplier at the 11.25 cents per kilowatt hour rate approved in Order No. 26,089. Beginning April 1, 2018, or within approximately ninety (90) calendar days following the closing of the sale of Eversource's thermal generation assets, Eversource's customers who have not selected a competitive supplier will receive energy service procured by Eversource through a competitive solicitation process and Eversource will recover the costs of the power through market-based rates.

I. PROCEDURAL HISTORY

On June 29, 2017, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed for approval of an energy service supply proposal that would take effect on a

service-rendered basis as of January 1, 2018. With its petition, Eversource included supporting testimony and related exhibits.

The Commission issued an Order of Notice on July 11, 2017. The Office of the Consumer Advocate (OCA) filed a letter of participation pursuant RSA 363:28. The Commission received and granted petitions to intervene from NextEra Energy Marketing, LLC (NextEra), EnerNOC, Inc. (EnerNOC), Exelon Generation Company, LLC (Exelon), Retail Energy Supply Association (RESA), and the New England Power Generators Association, Inc. (NEPGA).

Eversource filed a Settlement Agreement on behalf of itself, the OCA, Staff, EnerNOC, and Exelon on November 27, 2017 (Settlement). A merits hearing was held on December 4, 2017. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-113.html>.

II. EVERSOURCE'S PROPOSAL

In its original filing in this docket, Eversource addressed (1) the Company's current practice for supplying energy service to customers, (2) the proposed method for procurement of energy service for Eversource's customers, (3) the proposed method for setting energy service rates, (4) the proposed method for reconciliation of any over- or under-collections, and (5) the tariff amendments needed to implement the proposed changes all for effect on January 1, 2018. In addition, Eversource addressed the need to eliminate its Alternate Default Service Rate (Rate ADE). In support of its proposal, Eversource asserted that it was guided by the goals expressed in RSA 374-F:3, V(c) (default service to provide a safety net and assure universal access and system integrity), 374-F:3, V(d) (transition and default service appropriate to

particular circumstances of the utility), and 374-F:3, V(e) (Commission may approve alternative means of providing transition and default service to minimize customer risk, not unduly harm competitive markets and reduce price volatility without creating deferrals). The Company also stated that its proposal fulfilled the commitments made in the 2015 PSNH Restructuring and Rate Stabilization Agreement (the 2015 Agreement) regarding the transition to competitive procurement of energy service for customers remaining on Company energy supply.

A. Background

Currently, Eversource provides energy service from its generation assets and, if necessary, through supplemental power purchases in a manner approved by the Commission. Consistent with the requirements of RSA 369-B:3, IV(b)(1)(A) and RSA 374-F:3, V, Eversource continues to implement two energy service rates for customers: Default Energy (Rate DE) and Rate ADE. To set Rate DE, Eversource uses a Commission-approved method under which the rate is set for 12 months starting January 1 of each year. Rate DE is calculated by reviewing Eversource's projected costs of providing power from its generating assets as well as its costs for supplemental power purchases over the annual service period. Rate DE includes a 1.72 cents per kWh charge which represents recovery of the cost of the installation of the wet flue gas desulfurization (Scrubber) unit at Merrimack Station. The annual rate is typically adjusted each year on July 1 to minimize over- or under-recoveries at the end of the year. Although Eversource has had long-term procurements for some of its supplemental power purchases, those contracts have generally expired and recently such purchases have been shorter in duration. An exception to the generally shorter procurement contracts, are power purchases of renewable

energy and capacity that Eversource currently buys under existing power purchase agreements (PPAs) with Burgess BioPower and Lempster Wind pursuant to RSA 362-F:9.¹

Rate ADE is only available to customers in Eversource's largest delivery service classes, specifically Rates GV, LG, and Backup Service Rate B. Pursuant to the implementation of Rate ADE, if any customer in one of those rate classes leaves Eversource energy service for another source of supply and later returns to Eversource for energy supply, then the customer receives energy service under Rate ADE, unless the customer commits to remaining on Rate DE for 12 months. Like Rate DE, Rate ADE contains an amount that is intended to recover a portion of the fixed costs associated with the installation of Scrubber at Merrimack Station.

Eversource reconciles Rate ADE with Rate DE on an annual basis in a filing made each May. The Commission reviews the difference between the actual costs and the actual revenues to determine whether there was an over- or under-collection in that year that should be applied to the calculation of ES rates for the coming year.

Finally, a portion of Eversource's costs of providing power comes from the purchase of electricity from certain small independent power producers (IPP). In general, purchases from IPPs are made at specified prices, rather than at variable prices reflected in the then-current market rates. As a result, there are times when the price paid by Eversource to an IPP is above-market. To the extent that there are any above-market costs attributable to purchases from an IPP, the above-market costs are reconciled through Eversource's Stranded Cost Recovery Charge (SCRC) rate, while the costs that are at or below market are reconciled through energy service rates.

¹ The PPA with Burgess BioPower was approved in Docket No. DE 10-195, and the PPA with Lempster Wind was approved in Docket No. DE 08-077).

B. Terms of Initial Proposal

Eversource proposed to change the manner in which it provides energy service so that it would be consistent with the 2015 Agreement. In relevant part, the 2015 Agreement provides that “[n]o 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.” Eversource said that it expected divestiture would be completed in late 2017 or early 2018 and, rather than wait for closing on the assets, Eversource proposed to begin using a new competitive procurement process effective January 1, 2018.

Eversource proposed to split its customers into two groups with different rates applying to each group. It proposed one customer group to consist of Residential Rates R and R-OTOD, General Service Rates G and G-OTOD, Outdoor Lighting Rate OL and Energy Efficient Outdoor Lighting Rate EOL (small customer group); and the other customer group to consist of Primary General Service Rate GV, Large General Service Rate LG, Backup Service Rate B, and any private area lighting associated with these accounts (large customer group). The small customer group would receive rates that would be fixed for a six-month period. The large customer group would have rates calculated for a six-month period, but the actual rates would vary month-to-month. Eversource said it would issue requests for proposals for full-requirements load-following service for the small customer group and the large customer group on a regular basis. Eversource’s proposal was similar to how the other distribution utilities in New Hampshire have implemented rates under restructuring.

Eversource also discussed its proposal for compliance with New Hampshire’s Renewable Portfolio Standard (RPS) requirements, RSA Chapter 362-F. Eversource would set an RPS adder rate based on publicly available current market price information, and the RPS percentage

requirements for each RPS class at the time the rate setting filing was prepared. Eversource anticipated fulfilling its RPS requirement either through direct purchases or the issuance of request for proposals (RFPs) in the same manner in which it currently meets its RPS obligations. In addition to the issuance of RFPs, Eversource stated that it would continue to purchase Class I renewable energy certificates (RECs) from the Burgess BioPower and Lempster Wind facilities under existing PPAs. According to Eversource, the purchase of Class I RECs under the PPAs may more than meet RPS compliance requirements, eliminating the need for Class I REC market purchases.

Eversource said it would evaluate bid responses to its RFPs for power supply by price, the nature of the service offered, and the qualifications of the bidding suppliers. An additional change Eversource would make would be to solicit the bids for the small customer class in approximately 100 megawatt (MW) tranches. The result, according to Eversource, could be that multiple suppliers would supply the total load required by the small customer class, thus increasing the competitiveness of the bidding process and, ideally, lower the resulting rates. In addition, Eversource favored the adoption of a laddered portfolio (laddering) for the small customer group, soliciting a one-year block of energy supply each six months for 50 percent of annual power requirements. Eversource said that the proposed laddering process was similar to the one used by its affiliates in Massachusetts and Connecticut.

For the large customer class, Eversource proposed to solicit power in semi-annual procurements, selecting one supplier for 100 percent of the large customer class power requirement, similar to the manner adopted by other New Hampshire electric distribution utilities.

As stated above, Eversource currently includes the costs associated with various PPAs and a portion of the costs relating to IPPs in its ES rates. Here, however, Eversource proposed to recover ongoing IPP costs, PPA costs, and all other non-securitized stranded costs as determined by the Commission through the SCRC. Eversource said that allocating those costs to the SCRC would provide assurance that the energy service rates reflected actual market costs, thereby sending more accurate price signals to customers. Furthermore, because its PPAs with Burgess BioPower and Lempster Wind provide Eversource with more Class I RECs than it needs to satisfy its RPS obligation, Eversource said it would sell excess RECs into the market, with any gains or losses from those sales reconciled in the SCRC. Eversource said both energy service and RPS compliance costs would be reconciled on an annual basis in January of each year. Finally, Eversource proposed to eliminate rate ADE. Any customer returning to Eversource from competitive supply would receive the energy service rate applicable to that customer's rate class.

III. ORDER NO. 26,056 REGARDING TIMING

Following the prehearing conference, which was held on August 4, 2017, Staff filed a letter reporting that NEGPA generally supported the proposal, that RESA had no position on the filing, and that EnerNOC wanted to offer information in the proceeding on a product it developed to use a different method to acquire power on the market. Exelon did not have a representative at the prehearing conference. Staff also expressed general concern that Eversource's proposal to commence a competitively procured energy supply on January 1 may be contrary to the requirements of RSA 374-F:2, IV(d) (costs approved for recovery by the Commission in connection with the divestiture or retirement of the Company's generation assets), which appears to require that Eversource continue to provide power from its generating

units as long as it owns the units. Staff envisioned a problem with beginning a competitively bid service on January 1 in the event that Eversource had not sold its generation facilities by that time.

On August 16, 2017, the Commission issued a secretarial letter requesting briefs by September 1 on the following question:

Do RSA 374-F:2, IV(d) and the 2015 Settlement Agreement allow the implementation of an energy procurement plan as proposed by Eversource, where generation related costs are categorized as stranded costs, prior to divestiture of its generation assets?

After receiving briefs from Eversource, RESA, and the OCA, the Commission issued Order No. 26,056 (September 21, 2016), which clarified the appropriate timing for shifting the costs of Eversource's generation units in stranded costs. The Commission noted that because Eversource had not divested or retired any of its generation assets, the Company had not incurred any stranded costs. Order No. 26,056 at 7. Further, the terms of the 2015 Agreement require Eversource to provide energy service for its customers as provided in RSA 369-B:3, IV(b)(1)(A) (primarily from its own generation) until divestiture. Therefore, Eversource cannot adopt a competitive procurement method for obtaining energy until after divestiture. *Id.* The Commission concluded that the timing of divestiture would dictate whether generation-related costs would be recovered through the energy service rate or the stranded cost recovery charge. *Id.* at 8. The Commission directed the Company to work with the parties and Staff on a power procurement plan that would accommodate the challenges imposed by the various statutes governing Eversource's generation assets. *Id.* at 9.

IV. SETTLEMENT AGREEMENT /POSITIONS OF THE PARTIES AND STAFF

A. Settlement Agreement

The Settlement Agreement filed on November 29, 2017 (Settlement), was signed by Eversource, Staff, the OCA, Exelon, and EnerNOC (Settling Parties) and resolved all issues in the proceeding. Specifically, under the terms of the Settlement, Eversource agrees to implement a new, competitively-procured default energy service rate within approximately 90 days after the closing of the sale of Eversource's thermal generation assets. The effective date (Effective Date) will be the first day of the month in which competitively procured default energy service will be implemented.

The Settlement provides that changes to customer rates 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 agrees to 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 the Effective Date will be reconciled and recovered as a Part 2 stranded cost via the SCRC to ensure a clean transition to competitively procured energy service.

If Eversource's hydroelectric generating assets have not been sold as of the Effective Date, the Settlement provides that the competitively procured energy service rate shall include 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 energy service sales. The "hydro adjuster" will be removed from energy service rates at the time of the first rate change following the sale of hydroelectric assets.

As of the Effective Date, Eversource will also implement changes to its SCRC. All remaining non-hydro costs and revenues will be moved out of the energy service rate and into the SCRC. Costs and revenues related to the carrying charge on the stranded costs associated with the thermal assets prior to securitization, and any costs and revenues resulting from IPPs or PPAs held by Eversource will also be moved into the SCRC. Such costs and revenues will remain in the SCRC until the completion of the sale of all remaining generating assets, at which time the SCRC will be adjusted to account for the completion of the sale and implementation of the requirements of the 2015 Agreement relative to the SCRC.

Under the Settlement, Eversource will procure energy power supply for default service customers through a sealed RFP consistent with Eversource's initial proposal. The Settling Parties agree that any party may petition the Commission to amend the manner of energy service procurement in the future, and Eversource, the OCA, and Staff agree to participate in any proceeding arising from such a petition.

The Settling Parties also 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. This will facilitate Eversource's implementation of two, six-month energy service periods to be effective from February 1 to July 31, and August 1 to January 31, of each year.

Under the Settlement, Eversource agrees to forego the use of laddering. Its procurements of power for the small and large customer classes will be as follows. For the small customer group, as defined in Eversource's initial filing, Eversource will use a single procurement every six months for 100 percent of power supply requirements. The rate for the small customer class will be set at a fixed rate for each six-month term. Tranches offered to bidders will be designed

as percentages of load aimed at being approximately 100 MW in size. For the large customer class, as defined in Eversource's initial filing, Eversource will use a single procurement every six months. The rate for the large customer class will vary monthly in line with the monthly pricing identified by the winning bidder.

Eversource agrees to provide all customer communication materials regarding the change in energy service procurement to the appropriate Commission Staff for review prior to issuance. In addition, Eversource will manage its RPS obligation in a manner consistent with Commission precedent for other regulated electric utilities in New Hampshire, with the exception of Class I obligations which will be managed in a manner consistent with the description provided in Eversource's initial proposal. Finally, Eversource agrees to provide notice to the Commission of any future changes to the terms of its RFP or its Master Power Supply Agreement form.

The Settling Parties agree that the terms of the Settlement are just and reasonable and otherwise consistent with the laws of the State of New Hampshire relating to such procurement.

Consistent with Order No. 26,056, Eversource made its customary filing for annual energy service and SCRC rates for effect on January 1, 2018, in Docket Nos. DE 17-150 (energy service rates) and DE 17-151 (SCRC rates). Expecting that it would be a transitional period, however, Eversource calculated and proposed a three-month rate for energy service instead of an annual rate. The Commission approved Eversource's energy service and SCRC filings in Order Nos. 26,089 and 26,090, respectively, on December 27, 2017.

B. NextEra

NextEra did not oppose the Settlement.

C. RESA

At hearing, RESA said it was not authorized to take a position on the Settlement. On December 7, 2017, RESA filed a letter with the Commission expressing concerns with the Settlement. RESA first objected to the provision of the Settlement that, it argues, imposes generation-related stranded cost charges on competitive suppliers during the period between sale of generation assets and a securitization order. RESA letter 2-3. Second, RESA objected to the change of the commencement of energy service on April 1, as proposed in the illustrative schedule set forth in the Settlement, instead of July 1, which is the date on which Eversource adjusts rates mid-year. RESA said this change in schedule would be confusing for customers and for competitive suppliers, who are accustomed to the current rate procurement schedule. *Id.* at 3-4. RESA further argued that multiple changes in the default service rate in the first half of 2018 would further confuse customers and challenge competitive suppliers. *Id.*

After receiving RESA's letter, later that same day, Staff filed a letter on behalf of itself, Eversource, and the OCA recommending that the Commission disregard RESA's letter. RESA filed a reply letter, also on December 7, objecting to the letter filed by Staff.

V. COMMISSION ANALYSIS

We will first address the comments filed by RESA. We note that we did not direct the parties to file post-hearing comments, and no party at the hearing requested the opportunity to file post-hearing comments or briefs. Indeed, at hearing, RESA said that counsel did not have authority to take a position on the proposal. In addition, the Commission procedural rules, N.H. Code Admin. Rule Puc 203, do not provide for post-hearing comments or post-hearing briefs, or for responses to such comments or briefs. We would be within our authority to disregard the objections RESA filed post-hearing. Rather than disregard the comments outright, however, we

will address the comments as if they were appropriately offered as RESA's summation at hearing. Parties to Commission proceedings should not expect that the Commission will consider similar post-hearing comments in future hearings.

RESA's first objection is that the Settlement provides that, after the date of the sale of Eversource's thermal generation units, IPP and PPA costs will be recovered through the stranded cost recovery charge instead of the energy service charge. While RESA may perceive this as shifting costs to customers of competitive suppliers, the change in recovery of those costs from energy service rates to the stranded costs recovery charge rate is consistent with the terms of the 2015 Agreement approved in Docket No. DE 14-238 and with RSA 369-B:3, IV(c). We therefore do not consider RESA's concerns to warrant any changes to the Settlement we are considering today.

RESA's second argument is that competitive suppliers and Eversource customers will be confused by the shift of the six-month default service period from January through June, and July through December, to February through July and August through January. According to RESA, competitive suppliers will be put at an unfair disadvantage in making offers to customers. The Commission does not share these concerns. The Settlement provides that Eversource will work with appropriate Commission Staff on educational materials to inform customers of Eversource's new methodology on procuring energy supply, including the new default service periods. RESA members now know that the default service periods will shift by one month, and should be able to compete for customers on that basis. We also note that Liberty Utilities uses the same default service period as proposed in the Agreement. We have not heard any complaints from competitive suppliers about Liberty Utility's default service schedule. Therefore, we have no basis to take any action on this second objection.

We next turn to the terms of the Settlement, which modifies Eversource's initial proposal. That initial filing was made to comply with the 2015 Agreement. The manner of recovery provided in the Settlement is consistent with RSA Chapter 374-F (the electric utility restructuring statutes), and RSA 369-B:3-a, which together implement the 2015 Agreement. The conversion to competitive procurement for default energy service is one of the last steps that Eversource must take to complete divestiture of its generation assets. The 2015 Agreement states that one of its key components is to complete the transition of Eversource to a competitive procurement process for default energy service. Pursuant to the 2015 Agreement, Eversource shall provide energy service in accordance with RSA Chapter 369-B until divestiture of its generating assets; and then transition to a competitive procurement process for default service. 2015 Agreement at 11.

In Order No. 26,056, we addressed the timing of the transition to competitively procured default service to reconcile the requirements of RSA Chapter 369-B, as it relates to the current provision of energy service, and the 2015 Agreement. We determined that the transition to competitively procured service could not occur until Eversource divested its generation service, and that no generation costs could be recovered through stranded costs until divestiture was completed. The Settlement in this docket fulfills the requirements by establishing that competitive supply will be initiated on the Effective Date, which is defined as being within approximately ninety (90) calendar days following the closing of the sale of Eversource's thermal generating assets. We find that this provision in the Settlement complies with the requirements of RSA Chapter 369-B, RSA Chapter 374-F, and the 2015 Agreement.

RSA 374-F:1 states that the "most compelling reason to restructure the New Hampshire electric utility industry is to reduce costs for consumers of electricity by harnessing the power of

competitive markets.” Consistent with this purpose statement, the Commission has previously approved processes for restructured utilities to procure power from the competitive market. *See* Order No. 24,577 (January 13, 2006) (default service procurement for Liberty Utilities); Order No. 24,511 (September 9, 2005) (default service procurement for Unitil Energy Systems, Inc.). Eversource proposes a process similar to those previously approved by the Commission. That process is 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. Eversource’s initial proposal as modified by the Settlement establishes a solicitation process to procure power from the competitive market, and is consistent with the purpose of the restructuring statute.

RSA 374-F:3, IV(c), Restructuring Policy Principles, sets forth the elements to consider whether a default energy service proposal is in the public interest. Certain principles are key, such as customer choice (RSA 374-F:3, II); universal service (RSA 374-F:3, V), which includes access to service, an option of stable and predictable rates for customers, recovery of the costs of competitively procured power through energy service rates, and no undue harm to the development of the competitive markets; benefits to all ratepayers (RSA 374-F:3, VI); and appropriate recovery of stranded costs (RSA 374-F:3, XII).

The process set out by Eversource in its initial filing as amended by the Settlement meets the requirements of RSA 374-F:3, II and V. 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.

Eversource has designed energy service for its small customer group in two six-month periods that divide the historical two highest-priced winter months between the two procurement

periods to mitigate price changes between the shoulder months and winter months, and thus offers more stable rates for those customers who value that service. The calculation of a fixed rate for each six-month period for small customers also assures more predictable rates for those customers seeking such service. Nonetheless, customers in Eversource's territory can still obtain power from competitive suppliers who may offer a more desirable rate, or more attractive service package.

Like the other electric utilities in New Hampshire, Eversource will recover the costs of the energy through rates, and the rate design appears to benefit all customers in accordance with RSA 374-F:3, VI. Finally, the 2015 Agreement and the Settlement in the instant docket account for the appropriate treatment of stranded costs under RSA 374-F:2, IV and 374-F:3, XII.

The Settlement also has a provision that allows any party to file a petition to have the Commission review whether Eversource should change its energy service procurement process to take advantage of new technology or new products which may benefit customers.

For the reasons stated above, we approve Eversource's filing as modified by the Settling Parties.

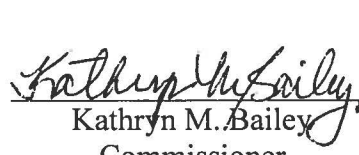
Based upon the foregoing, it is hereby

ORDERED, that the proposal filed by Eversource, as modified by the Settlement filed on November 27, 2017, is hereby **APPROVED**.

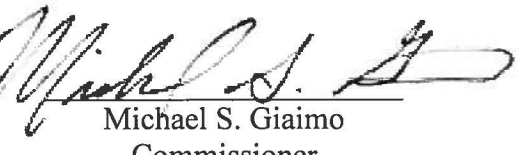
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of
December, 2017.



Martin P. Honigberg
Chairman

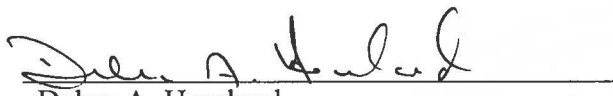


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director