

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-002

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

Petition Requesting Approval of Energy Service Solicitation and Resulting Rates

Order Approving Energy Service Rates

ORDER NO. 26,203

December 20, 2018

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission approves the results of Eversource's solicitation for power supply for customers that have not elected to take energy service from a competitive supplier. The rates apply to the six-month period beginning February 1, 2019. For residential customers, energy service costs will increase from 9.412 cents per kWh to 9.985 cents per kWh. The Commission will determine the overall customer monthly bill impact effective February 1, 2019, when it conducts its review of the stranded cost recovery charge rate in Docket No. DE 18-182. The Commission also directs Eversource, the Office of the Consumer Advocate, and Staff to determine whether it is appropriate to make changes to Eversource's procurement of default service.

I. PROCEDURAL HISTORY

On January 12, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or Company) filed a schedule for procuring default energy service for the four-month period beginning April 1, 2018. The Office of the Consumer Advocate (OCA) filed

a letter of participation pursuant to RSA 363:28 on January 23, 2018. The Commission approved the solicitation and resulting rates for the four-month period beginning April 1 in Order No. 26,104 (February 22, 2018). On April 26, 2018, Eversource filed a proposed schedule for procuring default energy service for the six-month period beginning August 1, 2018. The Commission approved that solicitation and resulting rates in Order No. 26,147 (June 15, 2018).

On September 13, 2018, Senate Bill 365 became law. That law requires Eversource to solicit power from certain facilities and to submit the resulting power purchase agreements “to the Commission as part of its submission for periodic approval of its residential electric customer default service supply solicitation.” *See* RSA 362-H:1 and RSA 362-H:2. The statute requires the Commission to review the eligible facility agreements for conformity with the requirements of the new law in the same proceeding in which the Commission reviews the Company’s default service solicitation and resulting rates. RSA 362-H:2, IV. On December 4, 2018, Eversource filed a Petition for Commission Review of Responses Received by Eversource Pursuant to RSA Chapter 362-H as Enacted by Senate Bill 365 (Petition).

The Commission issued a Supplemental Order of Notice on December 11, 2018, which separated the Commission’s review of Eversource’s Petition and its review of Eversource’s competitive solicitation, placing them on two different hearing tracks. On December 13, Eversource filed its petition for approval of the solicitation, bid evaluation and selection, and the resulting rates for energy service for the period beginning February 1, 2019. With its filing, Eversource included information that it claimed is confidential pursuant to New Hampshire Code Admin. Rules Puc 201.06 and Puc 201.07.

Springfield Power LLC, DB Whitefield LLC, Bridgewater Power Company, L.P., Pinetree Power Tamworth, LLC, and Pinetree Power LLC (Eligible Facilities) petitioned to

intervene, as did the New England Ratepayers Association (NERA). On December 17, the Eligible Facilities filed a Motion for Determination That Agreements Conform With RSA 362-H And To Direct Eversource To Comply With RSA 362-H (Motion for Determination). Neither the Eligible Facilities nor NERA appeared at the hearing noticed for review of Eversource's solicitation for default energy service and resulting rates, which was held on December 18.¹

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/2018/18-002.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

According to Eversource, it made its filing pursuant to Order No. 26,092 for the six-month period beginning February 1, 2019. Eversource issued a request for proposals (RFP) on November 8, 2018, for power supply for its Large Customer and Small Customer Groups.² The RFP was distributed to about 230 potential suppliers, including all members of the New England Power Pool Markets Committee. Eversource also posted the RFP to its website. The RFP requested power supply for its Large Customer Group in a single tranche and power supply for the Small Customer Group in four tranches of equal size. The RFP requested that bids be prepared on an as-delivered energy basis, with prices stated monthly on a fixed dollar

¹ A separate prehearing conference was noticed for review of Eversource's Petition. The Commission will review Eversource's Petition and the Eligible Facilities' Motion within this proceeding but on a separate track. This order addresses only Eversource's solicitation for default energy service and resulting rates.

² Eversource's Large Customer Group includes the following rate classes: Primary General Services Rate GV, Large General Service Rate LG, Backup Service Rate B, and any private lighting associated with those accounts billed under Outdoor Lighting Rate OL. The Small Customer Group includes the following rate classes: Residential Rate R, Rate-OTOD, General Service Rate G, and G-OTOD, and any outdoor lighting associated with those accounts billed under Outdoor Lighting Rate OL, and municipal lighting on Outdoor Lighting Rates OL and EOL.

per-megawatt-hour (MWh) basis. While bidders could offer prices that varied by month, Eversource required that the prices be uniform within each month and cover the entire six-month period.

Eversource received bids on December 11, 2018. Eversource evaluated the offers and selected winning suppliers based on the lowest price by customer group, compliance with non-price bidding requirements and bidder qualifications, risk relative to prices, and ability to serve load, all as specified in the RFP. In addition to price, Eversource considered qualitative factors such as experience in providing similar service to Eversource affiliates, demonstrated understanding of the market rules related to the provision of energy service, demonstrated understanding of obligations under the power supply agreement, and past or present events that might adversely affect the supplier's ability to provide energy. Eversource ultimately selected the winning bids based on price, as all the responding suppliers were qualified to provide energy service.

Eversource selected Exelon Generation Company, LLC (Exelon), to supply power for two tranches for the Small Customer Group, and selected NextEra Energy Marketing, LLC (NextEra), for the other two tranches of power for the Small Customer Group. Eversource also selected Exelon, to provide power for the Large Customer Group.

Based on the winning bids, Eversource calculated the base energy rate for the Small Customer Group for the six-month period beginning February 1, 2019, to be 9.612 cents per kilowatt-hour (kWh). Consistent with the Settlement Agreement, Eversource adds to the base energy rate an amount that recovers costs that Eversource must pay for compliance with the Renewable Portfolio Standard (RPS) requirements of RSA 362:F. In addition to the RPS adder,

Eversource includes in energy rates an amount to recover Eversource's administrative and general expense cost related to procurement of energy service for its customers.

Eversource calculated the RPS adder based on current market prices for renewable energy certificates that comply with the RPS requirements. The result is a uniform RPS adder of 0.275 cents per kWh for both the Large and Small Customer Groups. Eversource calculated the recovery factor for administrative and general expense to be 0.098 cents per kWh. With those adjustments, the rate for the Small Customer Group for the six-month period beginning February 1, 2019, is 9.985 cents per kWh. Eversource will include an annual energy reconciliation adjustment factor in the calculation of energy service rates beginning August 1, 2019.

The rate for the Large Customer Group includes the same adjustments, but the energy service rate varies from month to month. Based on the winning bid, Eversource proposes monthly energy service rates (on a cents per kWh basis) for the six-month period beginning February 1, 2019, as follows:

February	March	April	May	June	July
16.749	13.867	11.754	11.217	9.640	10.107

Eversource testified that it recognizes that its RFP resulted in rates higher than those resulting from Liberty Utilities' recent solicitation for the Large Customer Group. Eversource said that the energy market was experiencing a lot of volatility in the months since September, and that the rates it proposes are a result of a competitive solicitation. Eversource also said that only approximately 10 percent of its Large Customer Group customers purchase energy through default service rather than from a competitive supplier. Eversource believes that when wholesale suppliers prepare their bids for the Large Customer Group, they take into account the risk that

some of those customers may migrate to competitive suppliers during the six-month energy service period.

B. OCA

The Consumer Advocate found the rates for the Small Customer Group, which includes residential customers, to be just and reasonable and recommended approval. The Consumer Advocate also suggested that the Commission consider starting a generic proceeding to review the full spectrum of issues related to the procurement of default energy service.

C. Staff

Staff concluded that Eversource followed the appropriate process in soliciting the power and selecting the winning bidder, and that the Commission should approve the filing. Despite the fact that the Large Customer Group taking energy service from Eversource is a small subset of that Group, Staff recommended that Eversource work with Staff to determine whether Eversource should modify its process for procuring power for the large customers that remain on default energy service.

III. COMMISSION ANALYSIS

We find that Eversource's solicitation and bid evaluation procedures conform to the process approved by the Commission in Order No. 26,092. In that Order, the Commission approved a settlement agreement generally describing the process whereby Eversource would procure power supply for customers taking energy service from Eversource following Eversource's divestiture of its fossil fuel generation plants. Eversource's solicitation of bids and selection of Exelon and NextEra to provide power supply for the six-month period beginning February 1, 2019, is appropriate and satisfies the requirement that default energy service be procured through a competitive process that produces rates that are market based. See

RSA 374-F:3, V(c). Based on the process and our review of the results, we find the resulting rates to be just and reasonable.

We recognize there are subtle differences in the ways Eversource, Liberty, and Unitil procure supply for default service customers. We direct Staff to work with the OCA and Eversource to determine whether it is appropriate to consider changes, including but not limited to issues related to solicitation procedures and timing.

Based on the foregoing, it is hereby

ORDERED, that the power supply agreement entered into between Eversource and Exelon to provide 100 percent of the power supply requirements for the Large Customer Group and 50 percent of the power supply requirements for the Small Customer Group is hereby APPROVED; and it is

FURTHER ORDERED, that the power supply agreement entered into between Eversource and NextEra to provide 50 percent of the power supply requirements for the Small Customer Group is hereby APPROVED; and it is

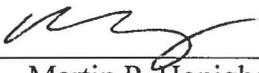
FURTHER ORDERED, that Eversource is authorized to recover the costs of the power supply agreement through the energy service rates proposed in this filing on a service-rendered basis for the six-month period beginning February 1, 2019; and it is

FURTHER ORDERED, that Eversource meet with the Office of the Consumer Advocate and Staff to determine whether it is appropriate to consider changes to Eversource's default service procurement, including but not limited to issues related to solicitation procedures and timing; and it is

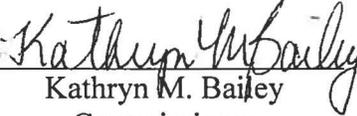
FURTHER ORDERED, that Eversource shall file a tariff as required by N.H. Code Admin. Rules Puc 1603, conforming to this order within 20 days, and the tariff shall demonstrate

the calculation of the energy service rate by showing the base energy service rate, the RPS adder, and the administrative and general services adder.

By order of the Public Utilities Commission of New Hampshire this twentieth day of December, 2018.



Martin P. Honigberg
Chairman

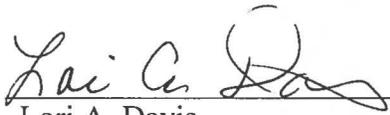


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary