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IR 14-338

May 18, 2015

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Docket No. IR 14-338
Review of Default Service Procurement Processes for Electric Distribution Utilities
Comments of Eversource Energy

Dear Director Howland:

On May 3, 2015, the Commission Staff submitted a memorandum in the above-referenced proceeding. In that memorandum, the Staff outlined the background of the docket, identified the principles guiding its review of procurement processes for the default service needs of the State's electric utilities, noted the areas where it believed there was agreement on such processes, and provided the Staff position on other issues which were not necessarily the subjects of broad agreement. Pursuant to the agreed upon procedural schedule, comments from other parties relating to the Staff memorandum are to be submitted on or by May 18, 2015. This submission includes Public Service Company of New Hampshire d/b/a Eversource Energy's ("Eversource") comments on the relevant issues. As part of its comments, Eversource continues to base its statements upon the assumption that ultimately it will either no longer own generating assets, or that it will otherwise amend its procurement of default service to use a competitive solicitation process.

Initially, and for clarity, Eversource notes that it understands the Staff memorandum, and these comments, to be for the primary purpose of identifying shorter term improvements or adjustments that could be implemented in advance of procurements for the coming winter period, but that longer term issues remain to be more fully explored following the hearing presently scheduled for May 27 in this docket. In light of the fact that, pursuant to state law, Eversource will continue to provide default service in the manner it has through the coming winter period, Eversource understands that even these short term recommendations would not affect its present activities. Nevertheless, Eversource will provide its comments on the presumption that it will, at some point, use the same process as other utilities in New Hampshire. To that end, and relative to the Staff's specific recommendation, Eversource agrees with the Staff recommendation to separate the rate setting and reconciliation processes as a reasonable short term adjustment that could be implemented for the coming winter period.

Subject to the above, Eversource notes that its goals in the procurement of default service are, generally, to find fair, reasonable and competitive pricing for customers. That does not necessarily mean that default service will be the lowest price available to any given customer or group, only that it is a fair price that reasonably reflects the features of the market. Further, Eversource also notes that it is substantially in agreement with the recommendations of the Staff in its memorandum and believes that implementing a system in line with those recommendations would go a long way toward achieving the stated goals. Eversource does note that it would be more open to the possibility of laddering contracts than Staff. In Eversource's experience, laddering can be beneficial in smoothing rate volatility, and given the size of the load represented by Eversource's customers, laddering could be implemented effectively by Eversource. Though that may not be the case for all utilities, and while recognizing the desire for a uniform methodology for all utilities, there may yet be benefit in allowing Eversource to use laddered purchases.

In that Eversource is substantially in agreement with the Staff recommendations, Eversource sees these comments as an opportunity to describe its understanding of the procurement process intended to be implemented to ensure that it is, in fact, in agreement. For all customer groups, Eversource concurs that the period between the award of a default service contract to a chosen supplier and the approval of the contract by the Commission should be as short as possible, preferably the same day, or within one day. Approval of an ultimate rate need not be achieved at that time, but could follow on a pre-determined schedule. Such a process would recognize that any contract would be for default service to be delivered in a future period, but would avoid tying the contract to the specific rates submitted for Commission review and approval. The supplier would have the assurance of having an approved contract, and the utility would have the needed time to properly prepare and submit a rate proposal. Further, if a supplier has assurance of a contract award immediately, such assurance will mitigate any risk premium.

Eversource concurs with the conclusion that default service procurement should be segmented between residential and small commercial customers on the one hand, and large commercial and industrial customers on the other.

For residential and small general service customers, the guiding principles are to produce the lowest possible generation service charge consistent with market conditions and to provide some level of stability and to limit rate volatility. Eversource concurs that default service should be procured from a wholesale supplier on a full requirements, load following basis for the entire default service load for the duration of a particular rate term. Once the bids are received and evaluated, the winning bidder(s) would be selected, and regulatory approval of the bid would be granted. Then, the utility would use the winning bid(s) to establish the relevant rates and would file the resulting rates for Commission approval. The approved rates would be for a six-month period. Eversource holds to the conclusion that the rate periods for these customer groups should be from January to June and July to December, to help split the highest priced months and thereby limit volatility. Additionally, Eversource favors any reconciliation of over or under collections be spread over delivery service load annually on a lagging basis. In Eversource's opinion, reconciliation spread over delivery service load associated with small customers is appropriate because attempting to reconcile the amounts through future default service load would both distort the default energy service rate and result in a mismatch between the

customers in any particular rate period. Moreover, and as a policy matter, reconciliation in this manner recognizes that the costs and benefits of the market (including the ability to avail one's self of default service) are available to all customers.

Consistent with prior comments, for larger commercial and industrial customers who generally market knowledgeable and much more likely to seek out opportunities to select retail suppliers, and based upon Eversource's understanding that, in general, there is a concurrence of opinions that large customers should pay default service costs that are as close to market as possible, it appears that the best way to do so is for the utility to act as the load serving entity ("LSE") and to serve the load through spot market purchases in the ISO-NE day-ahead market. If the load is to be managed through spot market purchases, regardless of who is actually managing the load, to Eversource it appears reasonable for the utility to act as the LSE and manage the load so as to avoid the cost and burden of issuing an RFP on which suppliers may or may not bid. Having the utility act as the LSE is the most efficient and reliable means of ensuring that there is a supplier for the large default service customer load.

As for the rates to be paid by large customers, Eversource would set the rates monthly, based upon available forward market prices close in time to the month of delivery. For example, the rate for April would be set using the available forward prices as of a date near the end of March. Setting the rates close in time to the delivery month and basing them on forward market data is considered by Eversource to be a reasonable approach for minimizing over or under recoveries. To the extent that reconciliations are needed, consistent with the reconciliations for smaller customers, and for similar reasons, Eversource would propose that the reconciliation occur annually and that it be spread over delivery service load associated with large customers. Assigning the over and under recoveries to all large delivery customers would recognize that the costs and benefits of default service are available to all large delivery customers. Further, and in light of the differences in how retail rates are set, the amounts to be reconciled should be recovered from or refunded to the customer classes in which they were incurred.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



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Cc: Service List