

**THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

IR 15-124

ELECTRIC DISTRIBUTION UTILITIES

**Investigation into Potential Approaches to Ameliorate Adverse Wholesale
Electricity Market Conditions in New Hampshire**

ORDER OF NOTICE

The Commission announces an investigation, pursuant to RSA 365:5, RSA 374:3, RSA 374:4, RSA Chapter 374-F generally, and RSA 374-F:8 specifically, into potential approaches involving New Hampshire's electric distribution utilities (EDCs) to address cost and price volatility issues currently affecting wholesale electricity markets in New Hampshire.

Electric Utility Restructuring legislation, codified as RSA Chapter 374-F, passed in 1996, included the following statements of purpose in RSA 374-F:1:

The most compelling reason to restructure the New Hampshire electric utility industry is to reduce costs for all consumers of electricity by harnessing the power of competitive markets. The overall public policy goal of restructuring is to develop a more efficient industry structure and regulatory framework that results in a more productive economy by reducing costs to consumers while maintaining safe and reliable electric service with minimum adverse impacts on the environment.

Over the subsequent two decades, competitive electricity markets have developed in New Hampshire, at both the wholesale and retail levels. At the wholesale level, EDCs have selected among competing offers of power to serve EDC Default Service loads, on the basis of lowest wholesale cost. At the retail level, the resultant wholesale costs have been passed to Default Service customers of the EDCs. Also, retail customers have been free to select from among competitive electric power suppliers (CEPS) to supply their energy needs, instead of taking the

Default Service offerings of EDCs. Until recently, market competition at the wholesale and retail levels has tended to keep electricity prices at reasonable levels for New Hampshire consumers.

The past two years, however, have seen significant transitions in New Hampshire's wholesale and retail electricity markets, and those of the New England region generally. ISO-New England (ISO-NE), the regional electricity market administrator, has pointed to an increasing dependence on natural gas-fueled generation plants within the region over the past two decades as aging coal, oil, and nuclear plants have been retired. During recent winters, significant constraints on natural gas resources have emerged in New England, despite abundant natural gas commodity production in the Mid-Atlantic States and elsewhere. These constraints have led to extreme price volatility in gas markets in the winter months in our region, which, in turn, have resulted in sharply higher wholesale electricity prices.¹ Correspondingly, rates charged for Default Service to certain EDCs' customers have escalated sharply in New Hampshire for winter period service. *See* Order No. 25,719 (September 29, 2014) and Order No. 25,720 (October 3, 2014). Overall, the average retail price of electricity in New England is the highest in the continental United States, posing a threat to our region's economic competitiveness. (*See* http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a).

The Commission has a fundamental duty to ensure that the rates and charges assessed by EDCs are just and reasonable. RSA Chapter 378. We share ISO-NE's view, expressed in its 2014 Regional System Plan, that the potential development of additional natural gas resources for the benefit of the electricity supply in our region should be carefully considered. The consideration of such approaches was also endorsed by our State's Ten-Year Energy Strategy (Energy Strategy),

¹ *See, e.g.*, ISO-NE 2014 Regional System Plan, at pp. 124-147, available here: <http://www.iso-ne.com/system-planning/system-plans-studies/rsp>

available here (*see* pp. 46-47): <http://www.nh.gov/oep/energy/programs/documents/energy-strategy.pdf>

The Commission also takes note of the Energy Strategy's multi-level approach to addressing New Hampshire's energy challenges, including the fostering of energy efficiency, examining renewable generation resources (including "behind-the-meter" Distributed Generation resources), and considering other innovative means of seeking to reduce New Hampshire's dependence on fossil-fueled electricity. To that end, the Commission is engaged in an Energy Efficiency Investigation, Docket No. IR 15-072, with Staff offering a Straw Proposal for an Energy Efficiency Resource Standard, which is currently under stakeholder review. Also, the Commission is engaged in a general review of Default Service procurement processes for our State's EDCs, Docket No. IR 14-338, in an effort to examine potential responses to the wholesale electricity market challenges facing New Hampshire EDCs.

A targeted Staff investigation to examine the gas-resource constraint problem that is affecting New Hampshire's EDCs and electricity consumers generally may yield potential solutions to these market issues. To that end, we direct Staff to inquire with the EDCs – which are to be mandatory participants in this investigation– regarding potential means of addressing these market problems, using legal authorities such as, but not limited to, RSA Chapter 374-F; RSA Chapter 374-A; RSA Chapter 378; RSA 378:37-41; and RSA 374:57. Staff should also solicit the views of other stakeholders in its inquiry. Staff is to provide a report to the Commission, no later than September 15, 2015. (Other stakeholders, and the EDCs, are also invited to make reports by September 15, 2015, if they so choose.) Staff may retain a consultant to assist it in its effort. Staff shall conduct a public stakeholder meeting at the Commission on May 12, 2015, at 10:00 a.m. to enable interested persons to make their views regarding this Investigation known to Staff.

Based upon the foregoing, it is hereby

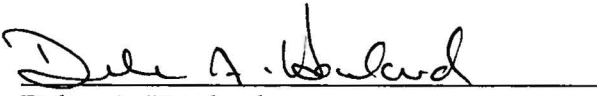
ORDERED, that the Commission Staff investigate the matters delineated herein, with a report to be made to the Commission no later than September 15, 2015, for which a Staff consultant may be retained, and contribute to the report; and it is

FURTHER ORDERED, that participation by Public Service of New Hampshire d/b/a Eversource Energy, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, and Unitil Energy Systems, Inc., collectively, "EDCs," is mandatory for this Investigation, and that these utilities shall respond to Staff's inquiries, subject to protective treatment as appropriate, pursuant to RSA 91-A; and it is

FURTHER ORDERED, that Staff make inquiries of other stakeholders as needed in its investigation, with responses afforded protective treatment as appropriate, pursuant to RSA 91-A; and it is

FURTHER ORDERED, that Staff shall conduct a public stakeholder meeting at the Commission's offices at 21 South Fruit Street, Concord, New Hampshire, to be held on May 12, 2015, at 10:00 a.m., at which time interested persons may make statements of position regarding the matters considered in this Investigation, and at which time the EDCs shall appear.

By order of the Public Utilities Commission of New Hampshire this seventeenth day of April, 2015.


Debra A. Howland
Executive Director

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**