

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

**IR 22-053**

**ELECTRIC AND NATURAL GAS UTILITIES**

**Investigation of Energy Commodity Procurement Renewable Portfolio Standard; Default Service Electric Power; Cost of Gas Methodology and Process**

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

**I. INTRODUCTION**

Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or the “Company”) welcomes and appreciates the opportunity to provide comments in advance of the prehearing conference for the investigation to take place in this docket, with the goal of focusing the scope of the proceeding so that the investigation yields useful information that will in turn provide the greatest insight for the New Hampshire Public Utilities Commission (“Commission”). It is Eversource’s impression that the intent of this investigation is to assess default energy procurement and renewable portfolio standard (“RPS”) compliance to determine if any further adjudicative process on these issues is warranted to modify either of the existing processes currently in place. As a general matter, Eversource would encourage the Commission to focus the scope of this investigation on the topics and issues that would be most impactful and provide the most insight into factors that could affect or be affected by the state regulatory process. To aid the Commission in determining the most appropriate scope of this investigation, Eversource provides the following initial comments based on the Order of Notice in this docket.

## **II. GENERAL COMMENTS**

### **A. Default Energy Service**

Eversource would like to provide some initial context with an overview of the current market landscape, noting which factors could potentially be impacted by Commission action, and those that likely cannot be affected by state regulation. The regional energy markets—both electricity and natural gas—have been impacted by fundamental supply and demand imbalances following the pandemic lockdowns and New England’s heavy reliance upon natural gas for electricity generation, both of which have in turn been sharply exacerbated by geopolitical circumstances surrounding the war in Ukraine. These factors have resulted in steep increases in both natural gas and electricity supply prices on the wholesale market throughout the region, as electric generation in the northeast is heavily dependent on natural gas. This trend in price increases happening on a regional and global level likely cannot be mitigated at the state regulatory level or by any actions of the utilities. There may be adjustments to energy procurement that could lessen price volatility to some degree, though these measures and their effects are limited.

In both Connecticut and Massachusetts, Eversource staggers, or ladders, its energy supply purchases prior to any service period, rather than going out and purchasing all supply for a six-month service period at one time, as it currently does in New Hampshire. The rapid developments in the global and regional energy markets lead to a more pronounced price increase for New Hampshire, where prices in Connecticut and Massachusetts were tempered by purchases previous to or early on in the upward pricing trend. These earlier purchases balanced out the more expensive pricing that began jumping up starting around the fall of 2021.

Eversource’s default energy supply procurement process was established in Docket No. DE 17-113, setting the six-month service periods of February-July and August-January—splitting the traditionally highest priced winter months and therefore avoiding some rate shock—and setting a one-time, total supply requirement purchase for a given service period. The one-time, total supply purchase approach was adopted at that time to reflect something closer to actual market conditions to help foster the development of the competitive electric supply marketplace in furtherance of the Electric Restructuring Act, RSA Chapter 374-F. Should policy priorities now favor price stability rather than reflection of true market prices, a shift to laddering may be preferable over making a one-time purchase for the entire supply requirement for a service period.<sup>1</sup>

In the Order of Notice for this docket, the Commission mentions exploring “[p]otential enhancements to Commission review proceedings for RPS, Default Service, and COG matters, including timing of RPS, Default Service, and COG filings and proposed rate effective dates.” Eversource would like to note that there are likely price implications for default energy supply should existing regulatory processes be altered. Currently, the Commission assesses, reviews and approves energy supply procurements on a timeline of about six weeks to two months. This degree of process already increases supply prices received from the competitive market. The longer the period of time between Eversource accepting the bid and the Commission approving the bid, the greater the risk to the supplier, and the supplier accounts for that risk in the price supplied in the bid. The current RFP and procurement process is standardized, and little changes from one procurement to the next, which could allow for a shorter review process prior to regulatory approval that could put downward pressure on the competitive supply market.

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<sup>1</sup> For an overview of Eversource’s laddering approach, *see* Docket No. DE 17-113, Tab 1, [Testimony of James R. Shuckrow, Frederick B. White and Christopher J. Goulding](#) at Bates pages 21-27.

Bolstering the regulatory review of procurements with greater process and a longer review period prior to Commission approval could conversely further increase already unprecedentedly high energy prices, and would also increase regulatory and administrative costs associated with procurement.

In contrast, approval of procurement contracts in Massachusetts happens within days, and in Connecticut approval takes place within several hours after bids are received. Also worth noting is that the Office of Consumer Council (“OCC”) and the Connecticut Public Utility Regulatory Authority’s (“PURA”) procurement manager are involved on bid day in the selection of the winning bids, which has had an overall positive effect on process efficiency. Additionally, by having PURA and the OCC involved, both offices have insight into the total context and conditions surrounding each procurement, and therefore have greater assurance that the process is working even when prices increase. Further discussion of the approach in these two states may be helpful in developing a similar process that would be of added benefit to New Hampshire. Adopting a similar process in New Hampshire has the potential to lower costs if, for example, suppliers feel that they can reduce risk premium included in bids due to the speed of regulatory approval. At a minimum, Eversource recommends that no additional process or time be added to the procurement approval proceedings to maintain regulatory consistency and prevent further risk premium from being introduced into competitive supply bids that the Company receives, which will consequently increase customer energy prices.

The Order of Notice also references a “comparison of different United States jurisdictions with regards to these issues and the approaches used.” Eversource does not see this as a productive line of inquiry in terms of what is possible in terms of state regulatory changes in New Hampshire, and would not be without administrative burden. Eversource has limited

knowledge as to what approaches to energy procurement are taken across the country, and in fact only has expertise in the jurisdictions it serves: New Hampshire, Connecticut, and Massachusetts, and limited knowledge about the neighboring New England states of Vermont and Maine. What is known is that the factors influencing procurement across the various regional markets nationwide are numerous, vary widely, and are largely driven by state and regional energy policies, as well as geographical factors. Any information Eversource is asked to provide about regional approaches outside ISO-NE would be provided without any hands-on knowledge or expertise, and the Company would not likely be able to provide insight or context to the Commission; this effort would be simple data compilation and that data would likely not be appropriate for a comparison to New Hampshire's approach to energy procurement or Renewable Portfolio Standards ("RPS") and could be quite time consuming. Rather, the Company recommends that the investigation leverage the New Hampshire utilities' and other participants' areas of expertise and experience to ascertain the possibility of process improvements in New Hampshire.

**B. RPS Compliance Obligations**

Eversource presently fulfills its RPS compliance obligations as a Load Serving Entity ("LSE") by periodically going to market and competitively procuring Renewable Energy Credits ("RECs").<sup>2</sup> Like default energy service, RPS compliance is a service that utilities are obliged to provide with no revenue generation for the company. With default energy service procurement, all costs to the utilities are recovered. But recently, Eversource was disallowed \$1.6 million in REC purchases that were made above the Alternative Compliance Payment ("ACP") price<sup>3</sup>,

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<sup>2</sup> See Docket No. DE 21-077, tab 24, [Direct Testimony of James G. Daly, James R. Shuckerow, and Frederick B. White](#) at Bates page 13.

<sup>3</sup> See Order No. 26,582.

despite the Company's overall REC purchasing for the year saving customers money when compared with purchasing only ACPs for RPS compliance. That utilities should be subject to a prudence review and possible disallowances from a service that generates no revenue, but simply recovers costs and has also saved customers tens of millions of dollars over the last several years is an unbalanced and unreasonable process. Eversource, rather than competitive suppliers, is responsible for RPS compliance due to a desire at the time the RPS compliance process was established for Eversource in Docket No. DE 17-113 for consistency across utilities in New Hampshire, as the two other electric utilities had already been responsible for RPS compliance by the time Eversource established its default energy procurement and RPS compliance processes.<sup>4</sup> There is nothing prohibiting the Commission from shifting RPS compliance obligations onto wholesale competitive suppliers, who operate in competitive risk-reward environments. Suppliers could simply incorporate RPS costs into their energy bids. This approach has been applied in Connecticut for approximately twenty years with resounding success.

Should Eversource's RPS obligations continue, the Company would likely revert to simply purchasing ACPs, rather than continuing its present approach of periodic REC purchasing through the competitive RFP process, as the existing process is becoming unsustainable with a continuing risk of further disallowances on purchases the Company is obligated to make. The primary reason for this is that the New Hampshire REC market is subject to a significant degree of legislative and regulatory uncertainty. During the course of any RPS compliance year the legislature may change the ACP price, just to be later vetoed by the Governor, which was the cause of the \$1.6M purchase above ACP referred to above. In addition, a veto may proceed to

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<sup>4</sup> See Docket No. DE 21-077, tab 24, [Direct Testimony of James G. Daly, James R. Shuckerow, and Frederick B. White](#) at Bates pages 9-10.

be overridden by the legislature further adding to uncertainty which the Company cannot mitigate. Additionally, the New Hampshire Department of Energy (“DOE”) has the authority to adjust the purchase obligation for both Class III and Class IV RECs each year, potentially down to zero, and it can do this very late into the compliance year. The legislative changes can subject Eversource—if conducting periodic REC purchases through competitive RFPs—to purchases over what ultimately results to be the ACP price for a given year, and the purchase adjustment by the DOE risks leaving Eversource with excess RECs that it must bank for use in future years. RSA 362-F:7 caps the use of banked RECs to the two years following the year the REC was purchased, so if the purchase requirement for Class III or IV RECs is repeatedly adjusted significantly downward, a trend that has in fact occurred over the last few years, a utility could be left with unusable RECs, which would become stranded costs.

Both the legislative and regulatory uncertainty create a significant degree of risk for the utility which the utility cannot hedge or mitigate against since the utility has no margin to cover these potential losses. The only recourse a utility has is to forego competitive REC purchasing for solely purchasing ACPs. On the other hand, competitive suppliers can enter the REC marketplace and bid competitively, creating some chance of savings compared with ACP purchases. And to the degree the regulatory and legislative changes impact RPS compliance for a given year, the competitive wholesale supplier has the flexibility to account for this in pricing, as is appropriate for such market functions. Eversource therefore recommends that RPS compliance be shifted to the competitive supply market, where it can be more economically efficiently and fairly addressed.

### **C. Regional Procurement Approach Through Parent Utility Companies**

Unfortunately, a regional approach to these procurement processes through the utility parent companies is not a viable option. The Company appreciates and shares the Commission's open mindedness to innovation and desire to harness resource and process efficiencies that would benefit customers. But there are insurmountable threshold barriers to this approach. First, RPS compliance and energy supply procurement are functions of state regulation, and no state regulatory authority can bind another state to any particular process, so some sort of consensus would have to occur among the various state regulatory authorities and possibly legislatures as well. Also, using Eversource's service territories as an example, energy supply and RPS compliance are heavily rooted in state energy policy priorities, and there is a considerable amount of disparity among those priorities just among the three states in which Eversource does business. RPS obligations and REC markets are also drastically different from state to state. Jurisdictional authority issues aside, practically, if a regional approach managed to succeed in one jurisdiction, it would almost necessarily fail in others. Without a common jurisdictional authority, and without common energy policy objectives, the Company does not see any path forward for a regional approach to RPS compliance or energy procurement.

### **III. CONCLUSION**

In conclusion, Eversource believes that this investigation can serve as a constructive learning opportunity that may serve to benefit New Hampshire customers. The ability to lower the cost of energy supply through modifications to either the procurement or RPS compliance processes is limited, however, process improvements to advance policy objectives are likely possible. The Company looks forward to further engagement as this matter progresses.