

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-001**

**Date of Response: November 18, 2022
Page 1 of 3**

Request from: New Hampshire Public Utilities Commission

Request:

Consolidated Procurement: What is the viability of a regionally harmonized and/or a state-wide approach to energy procurement?¹

- a. Please identify the constraints in consolidating procurement of default energy service for customers served by all New Hampshire electric utilities in a single process.
- b. Please indicate how these constraints could be eliminated.

¹ Possibilities include coordinated statewide procurement by the electric utilities, procurement conducted by the New Hampshire Department of Energy (or some other instrumentality of government), as opposed to the utilities themselves, for all default service customers in New Hampshire, and common procurements among retail affiliates across state lines.

Response:

Making the procurement schedule uniform statewide—which Unitil did when it shifted its procurement schedule to match that of Liberty and Eversource—is the most effective measure that can be taken toward rate consistency for Default Energy Service customers statewide. In addition to splitting the high-cost January and February months into separate rate periods which hedges against price spikes from one period to the next, harmonizing the procurement schedules across utilities should allow for a reasonable degree of rate consistency for any electric utility customer on Default Energy Service. Having the utilities put RFPs into the market at more or less the same time will lead to comparable pricing of bids received across utilities, even when market conditions are as volatile as they have been recently.

While there are no apparent legal or regulatory barriers to implementing a statewide Default Electric Supply procurement process, this kind of integration of purchases across utilities would be rife with logistical obstacles and would not serve to either increase efficiency or greater equalize rates statewide. For example, there would need to be a considerable amount of process standardization across the utilities, which while doable, will require a degree of time and effort before it could be implemented. Process standardization would need to include: the RFPs

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-001

Date of Response: November 18, 2022
Page 2 of 3

themselves, load forecasts, security requirements, bid evaluation methods, contract execution procedures, Commission filings, paying and reconciling ISO-NE settlement reports, as well as other possible staffing and procedural adjustments such as cost allocation and contract execution. Some of these elements contain proprietary and business confidential information, so these issues would have to be addressed. Consolidating procurement across the electric utilities could result in only one approval process and proceeding for the state per service period, but each utility would still need separate review and approval of utility-specific contracts. Moreover, because load shape varies among the utilities, and each utility has different adders and reconciliations that are attendant with the all-in default service price, statewide procurement will not result in uniform pricing much, if any, more than utility-specific procurements with synchronized service periods will.

In addition, there is no evidence to support the notion that bulk purchases would lead to lower costs. There is also some likelihood that consolidating procurement statewide would discourage bidders because the larger the Default Energy Service load served, the higher the risk for suppliers, due to uncertainty. Suppliers are obligated to cover all load that is bid upon, but with municipal aggregation and competitive supplier options for customers, that load could fluctuate significantly during the service period, leaving suppliers with large quantities of load that must be sold at market and result in economic losses. Therefore, the higher the chance for load fluctuation, the less incentive for suppliers to bid. For example, Eversource currently splits its Small Customer solicitations into eight 12.5% tranches with suppliers having the ability—but not requirement—to bid on all eight tranches. Suppliers usually bid on less than all eight tranches, as this is less risky than covering all tranches. Similarly, Eversource's Large Customer solicitations tend to receive less bids than the Small Customer solicitations, as the Large Customer group's load has a greater tendency to fluctuate during the course of a service period. This chance of fluctuation would be multiplied with a unified statewide procurement. With a higher chance of a failed RFP, the greater the likelihood that all utilities would have to resort to direct Market-Based Procurement, which would expose default service customers to greater risk and greater volatility, and defeat the purpose of statewide procurement to stabilize prices or make them consistent across utility service territories.

Eversource does not see what benefit would be realized by state-run procurement. Moreover, state-run procurement is not feasible because the utilities are responsible to pay the suppliers, and therefore have the contractual authority and obligations associated with that responsibility from which the utilities cannot transfer to a state agency, nor is any agency equipped to handle those obligations (i.e. - payment, accounting, ensuring proper performance). The Company also maintains its position that an interstate/regional procurement is not viable from a regulatory or practical perspective, as the constraints to such an approach cannot be

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-001

Date of Response: November 18, 2022
Page 3 of 3

overcome. No state regulatory body has the authority to bind another, and procurement is heavily influenced by state energy policy—policies which vary widely among the states that Eversource serves.

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-002

Date of Response: November 18, 2022
Page 1 of 2

Request from: New Hampshire Public Utilities Commission

Request:

Flexible Implementation of Laddering/Full Requirement Procurement: Can a more flexible approach to combining laddering and full requirement procurement, based on the expected near future pricing trends, be instituted by the utilities to better manage energy volatility in electric prices and its impact on ratepayers? Please provide alternatives that can be explored herein. In such an exploration of alternatives, please take into consideration factors listed below:

- a. the balance between achieving price stability (with risk premiums) versus exposure to market volatility.
- b. laddering timeframes (including their suspension) to more closely reflect market prices with a goal to providing greatest relief to New Hampshire ratepayers, without compromising market bidding outcomes.
- c. The intervals, frequencies, timing, and scale of procurements and/or rate changes.

Response:

While the Company does not take a position on whether New Hampshire should ladder default energy supply purchases, it does want to lay out all relevant considerations that should be taken into account when making a decision of whether to implement a policy of laddering. Laddering purchases is designed to mitigate market volatility, and therefore inherently fails to correlate to current market pricing. And while laddering purchases reduces the volatility of prices from one service period to the next, it does not necessarily reduce overall customer costs, or even lower those costs over time. If the policy priority for New Hampshire is to have Default Energy Service rates reflect the underlying market prices than the current full requirement procurement for 100% of load at one time is appropriate. If it is decided that the top priority for New Hampshire is to stabilize pricing between service periods, then the introduction of laddering purchases would help achieve that objective. But the two approaches cannot be blended as they are mutually exclusive of one another. Alternating between the two approaches is not recommended as it would compromise the policy objectives of both approaches, and practically would likely nullify the benefits of each. The regulated community is also not poised to vacillate between the two approaches, and even if it were, doing so would require a heavy reliance on timing the market, which involves a significant degree of risk.

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-002**

**Date of Response: November 18, 2022
Page 2 of 2**

However, if the choice to ladder is made, laddering can be tailored to best suit the policy approach of the state. Purchases can be made for a service period of varying durations: Eversource has experience with laddering purchases for service periods ranging from three months to one year. The intervals at which RFPs are issued to purchase load can likewise vary, and indeed do vary between Eversource's Massachusetts and Connecticut service territories (see response v.). But determining the duration of the service periods and the frequency of RFPs to best reflect the policy of the state is a complex undertaking, and Eversource would refer the Commission to the Connecticut Procurement Plan and Connecticut Procurement Plan 2018 Update, included with these responses as Attachments A and B, as an example of the kind of effort involved with establishing a laddered procurement plan. Theoretically, Eversource could begin the laddering for the Default Energy Service period beginning in August 2023, but this would require multiple full requirements purchases prior to June 2023, therefore Eversource would refer back to the complexity of establishing a system and process for laddering, and would caution against rushing such a transition.

Eversource would also like to highlight the practical effect of the decision to ladder procurement purchases for default energy supply. In an upward price environment, laddering purchases typically results in a blended price that is below the market price. However, the inverse is true in a downward price environment: laddering purchases results in a blended price above market prices. The latter situation occurs because when market prices lower and lower bid prices come in, those lower bids may have to be blended with previous purchases that were made for the upcoming service period when market prices were higher, resulting in a price for a given service period that is higher than the current market price. So, with a policy of laddering purchases, prices customers pay may not necessarily decline in correlation with a downward-trending market as laddering creates a pricing lag.

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-003**

**Date of Response: November 18, 2022
Page 1 of 1**

Request from: New Hampshire Public Utilities Commission

Request:

If a solicitation fails to achieve any bid or is found to be noncompetitive, please provide back-up options that can be followed to rely entirely on spot purchases, while instituting a retail-level process that still imparts some stability in energy prices for default service customers.

Response:

Eversource refers to the prehearing conference held on November 10, 2022 in Docket No. DE 22-021, as well as the motion with supporting testimony and attachments made in that same docket on November 15, 2022 in response to this question. The company believes that all competitively-priced bids should be accepted to minimize volatility, with the utility deploying a Market-Based Procurement Process only to be used as a last resort for uncovered load or load that is bid at uncompetitive prices so that default service remains market reflective.

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-004

Date of Response: November 18, 2022
Page 1 of 2

Request from: New Hampshire Public Utilities Commission

Request:

Balance between Price Stability and Volatility: Are there tangible avenues to reduce the risk premium included in bids by balancing the speed of regulatory approval and effective oversight during the procurement process? If so, please discuss the specific possible improvements in regulatory oversight during Request for Proposals and/or procurement solicitation processes and opine on the possibility of an order *nisi*-based approach to the approval of default service procurements.

Response:

Regulatory approval and oversight of the procurement process differs in each of Eversource's service territories. The days between bid submittal and regulatory approval in the states that Eversource operates is summarized in the following table:

	Days between bid submittal and regulatory approval
New Hampshire	≈ Eight (8) business days
Massachusetts	≈ Eight (8) business days
Connecticut	Same business day

In Connecticut, the procurement manager, staff of the Public Utilities Regulatory Authority (PURA) who has decision-making authority regarding the bids, consultants to PURA, and the Office of Consumer Counsel (OCC) staff which also has consultants, confer with representatives from Eversource approximately one (1) hour after bids are received. PURA procurement manager approves the winning bids on the day they are received.

Eversource recommended in the prehearing conference held November 10, 2022 in Docket No. DE 22-021 and again in its motion filed in the same docket on November 15, 2022 a review and approval process that involves New Hampshire regulators (PUC, DOE and OCA). While this request is an emergency stopgap measure to address the circumstances surrounding the current procurement, Eversource believes that there is

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-004**

**Date of Response: November 18, 2022
Page 2 of 2**

merit in considering and discussing a regulator-involved procurement process in the long term. The landscape of the competitive market has changed, most notably in that it has become substantially less competitive. While the utilities have the expertise to assess the market-reflectiveness and reasonableness of bids, whether to accept bids that may be above market is a threshold policy question: how market-reflective should default energy service be? Consensus decision making would allow for both a cohesive approach to default service and could also enable an expedited process that maintained effective oversight, though the Company would argue that agency involvement is more important right now than the speed of the regulatory process. One concern that was raised by the DOE and OCA at the November 10, 2022 prehearing conference was that the agencies had insufficient staff with expertise on the matter to advise the agencies in this process, and the Company would agree that consultants advising the agencies in this process would be helpful, so that all stakeholders can be best informed throughout the process.

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-005**

**Date of Response: November 18, 2022
Page 1 of 5**

Request from: New Hampshire Public Utilities Commission

Request:

Default Service Practices: With the goal of enabling consistent pricing and rates across utilities, companies are requested to share a detailed outline as well as supporting process documents on the practices that they have adopted by their affiliates in their various jurisdictions.

Response:

- NSTAR West: [https://www.eversource.com/content/ct-c/residential/about/doing-business-with-us/energy-supplier-information/wholesale-supply-\(western-massachusetts\)](https://www.eversource.com/content/ct-c/residential/about/doing-business-with-us/energy-supplier-information/wholesale-supply-(western-massachusetts))
- NSTAR East: [https://www.eversource.com/content/ct-c/residential/about/doing-business-with-us/energy-supplier-information/wholesale-supply-\(eastern-massachusetts\)](https://www.eversource.com/content/ct-c/residential/about/doing-business-with-us/energy-supplier-information/wholesale-supply-(eastern-massachusetts));
- CL&P: [https://www.eversource.com/content/ct-c/residential/about/doing-business-with-us/energy-supplier-information/wholesale-supply-\(connecticut\)](https://www.eversource.com/content/ct-c/residential/about/doing-business-with-us/energy-supplier-information/wholesale-supply-(connecticut)).
 - Also please see the Connecticut Procurement Plan and Connecticut Procurement Plan 2018 Update, included with these responses as Attachments A and B.

Pertaining to purchasing practices in New Hampshire, Eversource issues a separate request for proposals (“RFP”) for Eversource’s Default Energy Service for Large and Small Customer Groups and receives conforming proposals on the designated bid date. Eversource evaluates the offers and selects winning suppliers based on the lowest price. The Company decided to offer for bid a greater number of tranches, each covering a smaller load share for its upcoming RFP. For Small Customers there will be eight available tranches of 12.5% of load available for bidding. Suppliers can bid on any number of tranches. The Large Customer Group consists of two tranches of 50% load for bidding, and suppliers can bid on both or just one tranche. The service periods for both customer groups are for six-month terms: February through July, and August through January. In accordance with the Settlement Agreement in Docket No. DE 17-113, Eversource manages its New Hampshire RPS needs outside of the Default Energy Supply RFP process. Consistent with the historical approach of Eversource for Default Energy Supply customers in New Hampshire, Eversource’s affiliates in other jurisdictions, and other New Hampshire utilities, Eversource will fulfill RPS requirements by purchasing Renewable Energy Credits (“RECs”)

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-005**

**Date of Response: November 18, 2022
Page 2 of 5**

through competitive periodic RFPs, direct purchases from REC producers, and the bilateral market.

The paragraphs below detail Eversource's procurement practices in Connecticut and Massachusetts. However, at a high level, procurement in all three states is largely the same. The primary difference is that New Hampshire doesn't ladder, and only has six-month procurement periods. Connecticut and Massachusetts by comparison both use laddering and have procurement periods of a year (though rates do change every six months). Connecticut also has RPS compliance obligations included as part of the procurement process. Also, Large C&I customers in Connecticut and Massachusetts are procured on a quarterly basis, where New Hampshire is only bid semi-annually. Given the greater uncertainty surrounding C&I load due to possible drop offs of customers to competitive suppliers, shorter quarterly periods create greater load certainty, which increases the likelihood of competitive bids and lower prices.

In Connecticut, Eversource issues RFPs for power supply services for Eversource's Standard Service and Last Resort Service Customer Groups for a specific service period using the Company's laddering process. Eversource receives conforming proposals on the designated bid dates. Eversource evaluates the offers and selects winning suppliers based on the lowest price. Standard Service Customers include Residential, Large & Small Commercial and Industrial and Street Lighting Customers have ten available tranches of ten percent of load available for bidding. Each RFP solicits for a specified number of tranches for one or two six-month periods: January through June and July through December. Suppliers can bid on any number of available tranches for the designated portion of the service period the RFP covers. The Large Customer Group consists of one tranche of 100% load for one quarter of a year. The table below shows the timing of the purchases for the current service period in Connecticut:

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-005**

**Date of Response: November 18, 2022
Page 3 of 5**

**Connecticut
Standard Service
Small Service Bid Slices - All RFPs**

Slice #	Tranche Size	2022	
		Jan-Jun (H1)	Jul - Dec (H2)
10	10%	October 19, 2021	April 19, 2022
9	10%	October 19, 2021	April 19, 2022
8	10%	October 19, 2021	April 19, 2022
7	10%	July 20, 2021	January 25, 2022
6	10%	July 20, 2021	January 25, 2022
5	10%	July 20, 2021	January 25, 2022
4	10%	July 20, 2021	January 25, 2022
3	10%	April 20, 2021	October 19, 2021
2	10%	April 20, 2021	October 19, 2021
1	10%	April 20, 2021	October 19, 2021

Dates are reflective of Bid Days

In Massachusetts, Eversource issues RFPs for power supply services for Eversource’s Basic Service and receives conforming proposals on the designated bid date for the following customer groups, tranche sizes, and quantities:

- Nstar West:

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-005**

**Date of Response: November 18, 2022
Page 4 of 5**

- Residential (one tranche of 50%, twice per year)
- Commercial (once tranche of 50%, twice per year)
- Street Lighting (once tranche of 50%, twice per year)
- Industrial (one tranche of 100%, 4 times per year)
- Nstar East (Separate solicitations for SEMA and NEMA load zones)
 - Residential (four tranches of 12.5%, twice per year)
 - Commercial (two tranches of 25%, twice per year)
 - Industrial (four tranches of 25%, 4 time per year)

The timing for the current service period according to the traches listed above are also depicted in the table below:

**Massachusetts (Nstar East)
Residential Basic Service Bids - All RFPs**

Slice #	Tranche Size	2022	
		Jan-Jun (H1)	Jul - Dec (H2)
2	50%	November 16, 2021	May 17, 2022
1	50%	May 11, 2021	November 16, 2021

Dates are reflective of Bid Days

Eversource evaluates the offers and selects winning suppliers based on the lowest price. Each RFP solicits for a specified number of tranches for one or two six-month periods: January through June and July through December. Suppliers can bid on any number of available tranches for each of these six-month periods.

As mentioned above, there are many similarities between the procurement processes among New Hampshire, Connecticut and Massachusetts but there is one notable difference with New Hampshire procurement. This difference is the amount of energy service that is procured at a given time. In New Hampshire, the procurement process is to purchase 100% of what is needed for an entire six-month service period approximately six weeks ahead of the Default Energy Service rate change and commencement of the service period

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-005

Date of Response: November 18, 2022
Page 5 of 5

In Connecticut and Massachusetts, the energy service purchases are spread out using staggered, multiple purchases in advance of the changing energy service rate. In Connecticut purchases were made in October 2021, January 2022 and April 2022 for the energy service rate change beginning July 2022. In Massachusetts purchases were made in November 2021 and May 2022 for the energy service rate change of July 2022.

What fosters price consistency across New Hampshire is having service periods set for February through July and August through January. Splitting the two winter months of January and February, which historically have the highest costs, lessens jumps in market prices and ensure consistent pricing statewide. Eversource believes that having these service periods uniform across utilities will provide the greatest opportunity for statewide price consistency, to the extent consistency is possible (causes for price variation across utilities is detailed in the response to question 1). This response only addresses company procurement practices; regulatory influence on procurement is addressed in the response to question 4.

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-006

Date of Response: November 18, 2022
Page 1 of 2

Request from: New Hampshire Public Utilities Commission

Request:

RPS: Explore possible avenues to improve ratepayer cost outcomes as well as compliance-related and administrative processes to meet RPS standards.

Response:

Eversource recommends that RPS compliance be shifted to the competitive supply market. As previously stated in its initial comments filed to this docket, Eversource proposes that RPS obligations be included with the bids submitted during the procurement process for Default Energy Service.¹ Wholesale competitive suppliers can incorporate RPS costs into their default service bids. Connecticut requires that RPS costs be included as part of full-requirements service bids from wholesale suppliers and this approach has been working without issue since 2000. Wholesale suppliers can likewise incorporate New Hampshire RPS requirements in their bids. There are several reasons to do this.

The Class II, III, and IV REC markets in New Hampshire are typically undersupplied, so Eversource and other LSEs are either buying ACPs or paying close to ACP price when RECs can be acquired. For example, the table below shows that Eversource needed to procure over 108,000 RECs via the ACP process.

	<u>Class I</u>	<u>Class I- Thermal</u>	<u>Class II</u>	<u>Class III</u>	<u>Class IV</u>	<u>Total</u>
Obligation (RECs)	358,070	67,138	26,109	37,299	55,949	544,565
Procured RECs	358,070	20,736	22,767	11,190	23,579	436,342
REC Deficiency fulfilled by ACP process	0	46,402	3,342	26,109	32,370	108,223

¹ See also Docket No. DE 21-077, Direct Testimony of James G. Daly, James R. Shuckerow, and Frederick B.

White at Bates pages 9-10 and IR 22-053, Comments of Public Service Company of New Hampshire d/b/a Eversource Energy.

**Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053**

**Date Request Received: October 11, 2022
Data Request No. PUC 1-006**

**Date of Response: November 18, 2022
Page 2 of 2**

Competitive suppliers can more closely and consistently monitor markets in New Hampshire as well as markets throughout the region, and therefore better seize market opportunities for lower-priced RECs. This flexibility and access to regional market participation also makes it easier for competitive suppliers to adapt and account for the annual legislative changes to the ACP price and regulatory changes to the quantity of required REC purchases. Competitive suppliers can be constantly engaged in multiple REC markets, as energy supply and its requisite requirements are their sole line of business. This puts suppliers in a more advantageous position to leverage the various REC markets and be more aggressive in buying cheaper RECs despite the persistent regulatory and legislative uncertainties that limit the utilities' ability to participate in the market. RECs purchased by suppliers can be allocated accordingly with their bids across jurisdictions, giving them more flexibility to utilize all RECs purchased, even if the required REC quantity or ACP price in New Hampshire changes late in the compliance year. This is opposed to the utilities, which are forced to bank RECs when these late changes are made. RECs can only be banked for two years before becoming stranded costs. So not only is there an opportunity for RECs to be purchased at a lower price by competitive suppliers, the risk of stranded costs is also eliminated.

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. IR 22-053

Date Request Received: October 11, 2022
Data Request No. PUC 1-007

Date of Response: November 18, 2022
Page 1 of 1

Request from: New Hampshire Public Utilities Commission

Request:

Miscellaneous: Any other issues that could improve the default service process in New Hampshire.

Response:

Default service is a window into the state of regional energy markets. As discussed in some detail at the prehearing conference in Docket No. DE 22-021 held on November 10, 2022, Eversource would like to highlight that high energy prices have resulted from global political events, New England's reliance on natural gas for electric generation, and New England's position at the end of the natural gas distribution pipeline, that are all beyond the control of New Hampshire's regulatory and legislative authorities. These factors have led to low supplier participation and unreasonable or uncompetitive bids in response to default service procurement RFPs throughout New England, which means ultimately, conditions are likely to persist until additional energy infrastructure such as new transmission and new generation resources are brought online. Unfortunately, changes to the default energy procurement process in New Hampshire cannot overcome market conditions, and New Hampshire is likely to face persistent high energy prices for the near future. However, if the Commission believes that mitigating price volatility/price stabilization should be a policy priority, shifting to laddering purchases could help accomplish that objective.

Meanwhile, Eversource and other regional utilities are facilitating the financing of these types of resources as counterparties to the 1,200 MW New England Clean Energy Connect (NECEC) transmission and over 4,000 MW of offshore wind under development. Most of these resources are not expected to be online for another three to five years, but once they are, these resources will provide a sustained, non-natural gas supply solution for the region.