STATE OF NEW HAMPSHIRE

COMMISSIONER
Jared S. Chicoine

DEPUTY COMMISSIONER
Christopher J. Ellms, Jr.

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-3670

Website:
www.energy.nh.gov

DEPARTMENT OF ENERGY
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

September 13, 2024

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DE 24-046 Public Service Company of New Hampshire d/b/a Eversource Energy 2024 Energy Service Solicitations

DE 24-061 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty 2024 Default Service Solicitations

DE 24-065 Unitil Energy Systems, Inc. 2024 Default Service Solicitations

Dear Chairman Goldner:

On August 28, 2024, the Public Utilities Commission (Commission) entered a supplemental order of notice in the default service dockets for each electric distribution utility: DE 24-046 – Public Service Company of New Hampshire d/b/a Eversource (Eversource), DE 24-061 – Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty), and DE 24-065 – Unitil Energy Systems, Inc. (Unitil). The Commission noted that each utility had recently filed a proposal for "an expanded ISO-New England market-based procurement approach" to the provision of default energy service, as directed by the Commission. The Commission scheduled hearings on September 11, 2024 in DE 24-046 and DE 24-061,[1] and on September 12, 2024 in DE 24-065,[2] to consider whether to modify each utility's procurement process.

In the initial iteration of the Commission's market-based initiative, it directed the three regulated electric utilities to procure a 10-20% portion of their small customer energy load through direct participation in ISO-NE's Day Ahead (DA) and/or Real Time (RT) energy markets. During that phase of the process, the Department of Energy (DOE) submitted the Technical Statement of Stephen R. Eckberg.[3] In that Technical Statement Mr. Eckberg made several recommendations to the Commission, including that there be a pause in the direct market procurement process following the initial six-month period of

[1] The Sept. 11, 2024 Hearing in DE 24-046 has been rescheduled to Sept. 23, 2024 at 1:00PM and the Sept. 11, 2024 Hearing in DE 24-061 has been rescheduled to Sept 23, 2024 at 9 am.
[2] Unitil has filed a request to reschedule the Sept 12, 2024 Hearing in DE 24-065 to Oct. 1, 2024 at 1:00PM. As of the date of this document, that request is still pending with the Commission.
[3] *See* Tab 44 of DE 23-043 Eversource, Tab 65 of DE 23-044 Liberty, and Tab 40 of DE 23-054 Unitil.

market participation to provide an opportunity for the utilities and parties to review the market experience, evaluate lessons learned, and discuss whether further direct market procurement was appropriate.

The Commission did not embrace those recommendations but has determined it is appropriate to proceed with an expansion of its initiative of direct market procurement for small customer load in ISO-NE's DA and/or RT markets and, further, to include large customer load in the direct market procurement. In the current phase of this initiative, the Commission has directed the three regulated electric utilities to submit plans for expansion of their original direct market participation plans. Generally, the Commission directed the utilities to submit a plan to procure at least 30% of small customer load, and 100% of large customer load via direct market participation in the DA and/or RT markets.

The DOE continues to recommend a measured approach regarding the Commission's expansion of the direct market procurement initiative. The DOE believes that while the initiative has merit in its potential to reduce default service rates, there are market and regulatory issues which must be thoughtfully considered, with sufficient opportunity to adjust as necessary to achieve the desired results, while controlling price risk to ratepayers and operational and business risk to utilities. The DOE offers the following items for consideration by the Commission, utilities, the OCA, and other stakeholders:

1. <u>Financial Risk</u> – An increased level of direct market procurement by the utilities through participation in ISO-NE energy markets may have financial impacts on utility operations which are different than those of the historic approach of procuring full requirements service via an RFP every six months. Specifically, the DOE understands that under the historic process, the utility was responsible for paying the contracted energy supplier monthly for energy. Under the Commission's direct procurement initiative, DOE understands that the utility will be responsible for paying a reduced monthly contracted bill to the supplier and a twice weekly payment to ISO-NE for load settlement invoices. Such changes in business operations may likely impact the utility's cash working capital needs, and the utility should have an appropriate opportunity to evaluate these evolving needs and to submit any proposed changes for review, evaluation, and necessary approval by the Commission and stakeholders.

2. <u>Revised Reconciliation Period</u> – Consideration should be on whether to adjust the current annual reconciliation process for default energy service expenses and revenues. Due to the Commission's initiative to move toward a greater portion of direct procurement of energy in the ISO-NE markets, combined with increasing small customer migration resulting from development of community aggregations supplying energy, the dynamics for the current reconciliation process are being disrupted. That is, the return or recovery of any over/under default service balance over a

12-month period is predicated on using the forecasted 12-month amount of energy to be sold via default service. As community aggregation shifts significant numbers of customers and their corresponding load out of default service during a 12-month period, significant impacts on over/under collections may occur. Further, as utilities increase the portion of their direct ISO-NE procurement, the 12-month default service forecasts will likely generate increased over/under recoveries as market prices vary. Finally, shorter reconciliation periods may serve to reduce the issue of shifting under-recovery amounts onto customers who remain on utility default service.

3. Default Service Load Uncertainty – The impact of Community Power Aggregation on the total load needed from default service bidders, and the resulting bid prices received from qualified energy suppliers in response to the utility's periodic full requirement service RFPs, are ongoing concerns. For example, if 90% of a utility's customers leave utility default service for community aggregation supply that may have a chilling effect on bidder participation or lead to higher risk premiums on their bid prices. In and of itself, these factors may force the current RFP procurement process into a "failed auction" scenario in which the direct market procurement approach proves to be a useful foundational experience for the utility in order to continue to provide the statutorily required default service. Until the migration related to Community Power Aggregation stabilizes, and with a consistent portion of load procured via direct market participation, the amount of load for default energy suppliers is uncertain, riskier, and therefore likely more expensive. See Transcript of Hearing held 3/14/24 in DE 23-054 pp 29-30.

4. Natural Gas Supply and Energy Future Prices – The 1,413 MW Mystic Generating Station in Massachusetts is adjacent to the Everett LNG terminal which supplied 100% of Mystic's natural gas for several decades. While the closure of the Mystic Station on May 31, 2024 was anticipated, its impact on continued operation of the Everett LNG terminal has been uncertain.[4] Earlier this year, the MA DPU approved new contracts between regulated gas utilities and Everett which may keep the LNG terminal operational. The new contracts between Everett and National Grid, Eversource, and Unitil may provide *some* assurance of Everett's continued operation through 2030. While continued operation of the Everett LNG facility seems likely in the near term, these changes in New England's natural gas supply and electricity generation markets contribute uncertainty to energy futures prices.

5. Six-Month Fixed Rate – The direct market procurement approach presents some technical challenges with how to develop a fixed price for energy over the six-month period. Considerations related to developing the fixed

[4] https://commonwealthbeacon.org/energy/dpu-approves-utility-deals-with-everett-lng-terminal/

price include: 1) Whether the fixed price should be a simple weighted average of the NYMEX forward energy price with other ISO-NE and New Hampshire rate components added and the monthly bid price received from the full requirement RFP; and 2) How would the Commission address a failed auction when there is no "reasonable" RFP bid price to include in the six-month price. DOE believes it is important to continue to offer a six-month fixed price option to small customers because those customers generally place a high value on predictability of energy rates.

6. Small Customer Monthly Varying Rate – While the DOE does support offering a fixed price for small customers, the Commission should consider directing Eversource Energy and Liberty to implement a small customer tariff similar to Unitil's.[5] In addition to the "traditional" 6-month fixed price default service rate, Unitil's tariff provides a monthly varying energy rate for small customers in certain circumstances. Their monthly varying rate applies to customers who migrate back to default service at any point in time during a six-month fixed rate default service period. For example, suppose a customer is on competitive supply and the end of their supply contract period happens to be January 30, and they choose to move back to default energy service. When the "customer move" data exchange transaction occurs to move that customer back to Unitil Def Svc, that customer will be placed on the monthly varying rate rather than the fixed six-month rate. This approach seems sensible as that customer was not included in the load block that was put out for bid for the Def Svc period starting February 1. A monthly varying rate may be appropriate especially in a situation where a large block of customers returns unexpectedly to default service in a middle of a six-month rate period as it may help to reduce sudden stress on the contracted supplier who is providing energy for the utility's default service.

7. Trigger Filing for Updated Rate – The Commission should also consider whether the electric utilities have the authority to adjust the six-month fixed price within a pre-set price band similar to the "trigger filing" pricing method used by natural gas utilities in NH. This approach could allow utilities to adjust the default service price in response to changing market conditions and prices experienced in the ISO-NE DA and/or RT markets. This approach may help to reduce default service related over/under collections which would subsequently be included in a reconciliation.

[5] Unitil Tariff "SCHEDULE DS" found at Tariff pages 70-73 includes the following explanation *"Non-G1 Customers returning to Default Service from a Competitive Supplier or self-supply during the rate period will automatically be placed on variable pricing. Non-G1 Customers electing variable pricing will not have the opportunity to switch back to fixed pricing until the subsequent six month rate period. Non-G1 Customers who were placed on variable pricing after returning from a Competitive Supplier or self-supply will be switched back to fixed pricing at the start of the subsequent six month period, unless notifying the Company at least two business days prior to the start of the subsequent six month period of their request to remain on variable pricing."*

The DOE appreciates the opportunity to share these considerations with the Commission as it works to implement its expanded initiative of direct market procurement of energy for inclusion in utility default energy service. The DOE continues to recommend that the Commission proceed with caution with any changes to energy procurement especially during the evolving marketplace with the implementation of community power aggregations.

Sincerely,

Matthew C. Young

Matthew C. Young
Hearings Examiner/Staff Attorney

Cc: Docket Related Service List

View Service Lists

Service List - Docket Related

Docket# : 24-046 Printed: 9/13/2024

Email Addresses

ClerksOffice@puc.nh.gov
scott.anderson@eversource.com
yi-an.chen@eversource.com
Energy-Litigation@energy.nh.gov
paul.b.dexter@energy.nh.gov
Stephen.R.Eckberg@energy.nh.gov
sandra.gagnon@eversource.com
donald.m.kreis@oca.nh.gov
luann.lamontagne@eversource.com
parker.littlehale@eversource.com
jmiranda@rc.com
nhregulatory@eversource.com
elizabeth.r.nixon@energy.nh.gov
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
bryant.robinson@eversource.com
Marc.H.Vatter@oca.nh.gov
david.wiesner@eversource.com
Matthew.C.Young@energy.nh.gov

Without Email Addresses

All

ClerksOffice@puc.nh.gov

Scott Anderson
Eversource Energy

scott.anderson@eversource.com

Yi-an Chen
Eversource Energy

yi-an.chen@eversource.com

Department of Energy
Department of Energy
21 South Fruit St Ste 10
Concord NH 03301
Energy-Litigation@energy.nh.gov

Paul B Dexter
Department of Energy
21 South Fruit St Ste 10
Concord NH 03301
paul.b.dexter@energy.nh.gov

Stephen Eckberg
Department of Energy

Stephen.R.Eckberg@energy.nh.gov

Sandra Gagnon

780 N. Commercial St.
Manchester NH 03102
sandra.gagnon@eversource.com

Donald M Kreis
Office of Consumer Advocate
21 South Fruit St Ste 18
Concord NH 03301
donald.m.kreis@oca.nh.gov

Luann Lamontagne
Eversource Energy
780 N. Commercial St
Manchester NH 03105-0330
luann.lamontagne@eversource.com

Parker Littlehale
Public Service Company of New Hampshire d/b/a Eversource Energy

parker.littlehale@eversource.com

Joey Lee Miranda
Robinson & Cole, LLP
One State Street
Hartford CT 06103-3597
jmiranda@rc.com

NHRegulatory
Eversource Energy

nhregulatory@eversource.com

Liz R Nixon
Department of Energy
21 South Fruit St Ste 10
Concord NH 03301
elizabeth.r.nixon@energy.nh.gov

Amanda O Noonan
Department of Energy
21 South Fruit St Ste 10
Concord NH 03301
amanda.o.noonan@energy.nh.gov

OCA Litigation
OCA Litigation
21 South Fruit St Ste 18
Concord NH 03301
ocalitigation@oca.nh.gov

Bryant Robinson
Eversource Energy

bryant.robinson@eversource.com

Marc Vatter
Office of Consumer Advocate

Marc.H.Vatter@oca.nh.gov

David Wiesner
Eversource Energy

david.wiesner@eversource.com

Matthew C Young
Department of Energy
21 South Fruit St Ste 10
Concord NH 03301
Matthew.C.Young@energy.nh.gov