

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 20-054**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
d/b/a EVERSOURCE ENERGY**

**2020 Energy Service Solicitation**

**Order Approving Adjustment to the Energy Service Rate  
for effect on August 1, 2020**

**ORDER NO. 26,368**

**June 18, 2020**

**APPEARANCES:** Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; the Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; Lynn Fabrizio, Esq., on behalf of Commission Staff.

In this order, the Commission approves an adjustment to Eversource's default energy service rates for effect on August 1, 2020. The rates apply to the six-month period beginning August 1, 2020, through January 31, 2021. For residential customers, the energy service rate will decrease from 8.306 cents per kilowatt-hour to 7.068 cents per kilowatt-hour. The approved residential rate is 1.757 cents per kilowatt-hour lower than the energy service rate charged for the same period last year.

**I. PROCEDURAL HISTORY**

On April 22, 2020, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource, or the Company) filed a proposed schedule for a default energy service (ES) solicitation. On April 28, the Office of the Consumer Advocate (OCA) filed a notice of participation pursuant to RSA 363:28. On May 5, the Commission issued an Order of Notice scheduling a hearing for June 16. On June 11, Eversource filed a Petition for Adjustment to Energy Service Rate for effect on August 1, with supporting testimony of Frederick B. White,

Supervisor of Eversource's Electric Supply Department, and Erica L. Menard, Manager of Revenue Requirements for Eversource. On June 16, the Commission held a hearing as scheduled.

The petition and subsequent docket filings, other than any information for which confidential treatment has been requested of or granted by the Commission, are posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-054.html>.

## **I. POSITIONS OF THE PARTIES AND STAFF**

### **A. Eversource Energy**

Eversource submitted its default energy service filing pursuant to Order No. 26,104 (February 22, 2018). The filing seeks approval of new energy service rates for the six month-period beginning August 1, 2020. Eversource based its filing on the results of its Request for Proposals (RFP) solicitation issued on May 7, 2020, for power supply to serve the Company's Small and Large Customer groups. The RFP was distributed to over 100 potential suppliers, including all members of the New England Power Pool Markets Committee. Eversource also posted the RFP to its website.

The RFP requested 100 percent of the required power supply for the Company's Small Customer Group in four tranches of equal size and 100 percent of the required power supply for its Large Customer Group in a single tranche. The RFP requested that bids be prepared on an as-delivered energy basis, with prices stated monthly on a fixed dollar per megawatt-hour (MWh) basis. While bidders could offer prices that varied by month for one or more tranches, Eversource required that prices for the Small Customer Group be uniform within each month and cover the entire six-month delivery period beginning August 1, 2020. For its Large Customer

Group, Eversource required pricing set at a monthly rate that will vary each month and cover the entire six-month delivery period beginning August 1, 2020.

Eversource received bids on June 9, 2020. The Company evaluated the offers and selected winning suppliers based on the lowest price by customer group using a forecast of monthly ES load by customer group, compliance with non-price bidding requirements and bidder qualifications, risk relative to prices, and ability to serve load, all as specified in the RFP. In addition to price, Eversource considered qualitative factors such as experience in providing similar service to Eversource affiliates, demonstrated understanding of the market rules related to the provision of energy service, demonstrated understanding of obligations under the power supply agreement, and past or present events that might adversely affect the supplier's ability to provide energy. Eversource ultimately selected the winning bids based on price, as all the responding suppliers were qualified to provide energy service.

The Company entered into Transaction Confirmations for the period August 1, 2020, through January 31, 2021, with the winning suppliers for both the Small and Large Customer groups. Together, a Transaction Confirmation and a Master Power Supply Agreement (MPSA), provide the terms for the purchase of Energy Service from a supplier; both documents have been executed with each of the winning suppliers.

Eversource selected Consolidated Edison Energy, Inc. (ConEd) to supply power in two tranches for the Small Customer Group, and also selected NextEra Energy Marketing, LLC (NextEra) to supply power in two tranches for the Small Customer Group. Eversource selected HQ Energy Services (U.S.), Inc., (HQ-US), to provide power for the Large Customer Group.

Based on the winning bids, Eversource calculated the fixed energy service rate for its Small Customer Group for the six-month period beginning August 1, 2020, to be \$0.07068 per

kilowatt-hour (kWh); monthly rates for the Large Customer Group ranged from \$0.06025 in August 2020 to \$0.09267 per kWh in January 2021. Consistent with the Settlement Agreement approved by the Commission in Order No. 26,092, Eversource included an amount that recovers costs for compliance with New Hampshire's Renewable Portfolio Standard (RPS) requirements under RSA 362:F and an amount to recover its administrative and general expense costs related to the procurement of energy service in the energy service rate. Eversource also included an annual energy reconciliation adjustment factor in the calculation of energy service rates.

Eversource calculated the RPS adder based on current market prices for renewable energy certificates that comply with the RPS requirements. The result is a uniform RPS adder of 0.740 cents per kWh for both the Small and Large Customer Groups. Eversource calculated the recovery factor for administrative and general expenses to be 0.076 cents per kWh. The energy service rate of \$0.07068 per kWh for the Small Customer Group includes those factors.

The energy service rate for the Company's Large Customer Group includes the same adjustment factors, but the energy service rate will vary from month to month. Based on the winning bid, Eversource proposed monthly energy service rates for the six-month period beginning August 1, 2020, as follows:

<b>Month</b>	<b>Rate (Cents/kWh)</b>
August 2020	6.025
September 2020	6.040
October 2020	6.135
November 2020	7.177
December 2020	8.175
January 2021	9.267

In its filing, Eversource also indicated its intent to transfer net metering costs from its energy service rate, for costs beginning February 2020, to its stranded cost recovery charge (SCRC) for rates beginning August 2020. The Company stated it believes that this treatment

would better align those costs and revenues with the intent of the 2015 PSNH Restructuring and Rate Stabilization Agreement approved in Docket DE 14-238. Eversource requested Commission approval of the outcome of its solicitation and the resulting retail rates for Energy Service for the period of August 1, 2020, through January 31, 2021.

**B. OCA**

The Consumer Advocate recommended approval of the Company's proposed energy service rates, finding the rates to be just and reasonable. However, the Consumer Advocate expressed concern and suggested disallowance of the Company's inclusion of Accumulated Deferred Income Tax (ADIT) expenses in the calculation of the monthly carrying charges in the RPS Reconciliation calculation (*See Exhibit 1, at 107 (ELM-2, page 4 of 4)*). The OCA also recommended the Company's request to allow reconciliation for cash working capital costs back to August 1, 2019, be disallowed, and expressed concern regarding the Company's intended transfer of net metering costs to the SCRC.

**C. Staff**

Staff said that the Company had conducted its solicitation and selection of winning bids for default energy service in compliance with the Settlement Agreement and process approved by the Commission in Order No. 26,092. Based on its review of the Company's filing, Staff concluded that the Company's selection of winning suppliers is a reasonable outcome and the result of a competitive procurement. Staff therefore supported the rates as just and reasonable. Staff stated that the Company had appropriately included in its filing the calculation of a cash working capital (CWC) requirement developed using a lead-lag study based on 2019 data.

Staff noted that the issue raised at the hearing of whether ADIT expenses should be included in certain calculations as part of energy service rates warranted further investigation

and, if necessary, could be reconciled through an adjustment in the Company's next default service filing. Staff generally supported the transfer of net-metering costs from energy service rates to stranded cost rates.

## **II. COMMISSION ANALYSIS**

We find that Eversource's solicitation and bid evaluation procedures were reasonable and conform to the process approved by the Commission in Order No. 26,092. In that Order, the Commission approved a settlement agreement that generally established the process whereby Eversource would procure power supply for customers taking energy service from Eversource following the Company's divestiture of its fossil fuel generation plants. Eversource's solicitation of bids and selection of ConEd, NextEra, and HQ-US to provide power supply for the six-month period beginning August 1, 2020, was conducted appropriately and satisfies the requirement that default energy service be procured through a competitive process that produces just and reasonable rates that are market based. *See* RSA 374-F:3, V(c).

Eversource included ADIT charges in its calculation of carrying costs related to the RPS reconciliation in this proceeding. According to Eversource, the ADIT charges are appropriately included in the calculations of energy service rates because the ADIT accounts for timing differences between the collection of funds that include monies for payment of taxes and the actual payment of those taxes. The OCA expressed concern regarding the inclusion of the ADIT charges in the calculation of proposed rate elements. Staff also expressed reservations, but requested an opportunity to investigate the inclusion of ADIT costs in the calculation of the RPS reconciliation and other energy service charges. Staff indicated that, if necessary, an adjustment in Eversource's next energy service filing could rectify any issues of the inclusion of those costs in the Company's rate calculations. It is our understanding that such costs have previously been

included in the calculation of energy service rates. *See, e.g.*, testimony of Erica Menard in Docket DE 19-080, Attachment ELM-3, page 8 (showing a calculation of the Energy Service Charge, which includes, at Line 8, “Return on ES Deferral, net of deferred taxes”). We also understand, however, that the current, competitively procured, energy service no longer includes costs associated with the Company’s ownership of generation assets. The current energy service rates implement a pass-through of costs to all Eversource customers, whereas the previous default service rates contained different cost elements. Given recent changes in cost accounting and rate calculations, we decline to disallow these expenses at this time. We direct Staff to conduct an inquiry into the accounting issues raised and to recommend whether an adjustment is required in Eversource’s next energy service filing.

Eversource also indicated its intent to transfer net-metering costs from its energy service rate to the SCRC rate for cost accounting and recovery purposes. In support of that change, Eversource stated that such costs are appropriately considered in the calculation of stranded costs to be borne by all customers, rather than limiting recovery of those costs to its energy service customers. We acknowledge that Eversource has raised that issue in this docket, but we decline to address it here; rather we will evaluate the proposed net metering cost transfer in Docket No. DE 20-095, the pending proceeding involving the Company’s SCRC adjustment.<sup>1</sup>

Eversource also included a cash working capital (CWC) requirement in its calculation of energy service rates. Eversource based its calculation on a lead-lag study that was proposed by the Company and agreed to by Staff in Docket DE 19-082. Although the OCA expressed concern with respect to the inclusion of the CWC requirement because the Company is applying the costs retroactively back to August 2019, the beginning of the reconciliation period, we are

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<sup>1</sup> Should the Commission decide not to permit the recovery of net metering costs through the SCRC, Eversource may include a reconciliation in its next energy service filing.

persuaded that the CWC requirement is appropriately included in the proposed rates. Eversource should have included CWC in energy service rates since it divested its assets and began competitive procurement to serve the full load of its energy service customers. Eversource testified its failure to include CWC was an oversight and is now requesting recovery of that cost for the current reconciliation period and going forward. We find it reasonable to allow recovery beginning with the current reconciliation period. Cash working capital costs incurred prior to August 1, 2019, will not be recovered by Eversource. We therefore will allow the calculation.

Based on the process and our review of the results, we find the resulting rates to be just and reasonable, consistent with Commission precedent, and the public interest.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the power supply agreements entered into between Eversource, Consolidated Edison Energy, Inc., NextEra Energy Marketing, LLC, and HQ Energy Services (U.S.), Inc., to provide power supply requirements for the six-month period beginning August 1, 2020, are hereby APPROVED; and it is

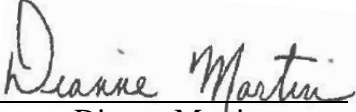
**FURTHER ORDERED**, that Staff shall investigate the Company's inclusion of ADIT in its calculation of carrying charges related to the RPS reconciliation, and other reconciliation rate elements, as discussed above; and it is

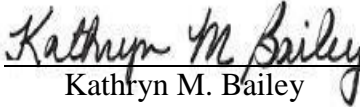
**FURTHER ORDERED**, that Eversource is authorized to recover the costs of the power supply agreements through the energy service rates proposed in this filing on a service-rendered basis for the six-month period beginning August 1, 2020; and it is

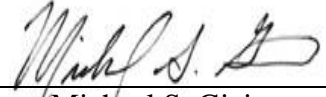
**FURTHER ORDERED**, that Eversource shall file a tariff as required by N.H. Admin. R., PART Puc 1603 conforming to this order within 20 days, and that the tariff shall demonstrate the calculation of the energy service rate and the various adjustments included in the calculation.




By order of the Public Utilities Commission of New Hampshire this eighteenth day of  
June, 2020.

  
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Dianne Martin  
Chairwoman

  
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Kathryn M. Bailey  
Commissioner

  
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Michael S. Giaimo  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director

## Service List - Docket Related

Docket #: 20-054

Printed: 6/18/2020

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