

Comparison of Coalition Model to Consultant/Supplier Model

PREPARED BY THE COMMUNITY POWER SUBCOMMITTEE OF THE ENERGY AND ENVIRONMENT COMMITTEE JANUARY 2024

Glossary

- CEO – Chief Executive Officer
- Coalition – Community Power Coalition of New Hampshire
- CP – Community Power
- ISO – Independent System Operator
- ISO-NE – ISO New England, Inc.
- JPA – Joint Powers Agreement (Coalition)
- LSE – Load Serving Entity
- MOU – Memorandum of Understanding
- NHEC – New Hampshire Electric Cooperative
- RE – Renewable Energy
- RECs – Renewable Energy Credits
- RFP – Request for Proposals
- RPS – Renewable Portfolio Standard
- SP – Standard Power
- TOU – Time of Use (rates)

| Criterion | Option #1: Community Power Coalition Model | Option #2: Consultant/Supplier Model |
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| <i>City Governance</i> | City Council makes City decisions, with advice of Community Power Committee. | City Council makes City decisions, with advice of Community Power Committee. |
| <i>Governance Outside of City</i> | <ul style="list-style-type: none"> • The City’s community power program would be administered by, and community power services provided by, the Coalition. • The Coalition is a Joint Powers Agency formed under New Hampshire law. • The City would be a member of Coalition and have the rights and obligations of a member. The City’s relationship with the Coalition is governed by certain contracts (see below). • The Coalition is governed by a Board of Directors. Coalition has now transitioned to an elected board structure, with a 20-member Board. Concord could seek a | <ul style="list-style-type: none"> • The City’s community power program would be administered by, and most community power services provided by, an energy supplier. The consultant helps secure the energy supplier for its clients. • Standard Power, a subsidiary of Elevate Power, is the consultant we have been talking to. • The City would enter into separate contracts with the consultant and the energy supplier. • E.g., Keene contracts with Good Energy/Standard Power as consultant and with Direct Energy for power supply and CP services. • The supplier contract is the <u>key</u> |

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| | <p>Board seat at a future election (next election is in April).</p> <ul style="list-style-type: none"> Below the Board, Coalition has committees. Executive Committee has all power of Board between meetings (facilitating decisions that have to be made before next Board meeting). Other committees include Finance Committee, Audit Committee, Regulatory and Legislative Affairs Committee, Risk Management Committee, Governance Committee. Risk Management Committee is key. City could be an active member of committees or not, as it chooses. | <p>contract under which CP services are delivered. The supplier will run the CP program for the City.</p> |
| <p><i>Entering the Arrangement</i></p> | <ul style="list-style-type: none"> Under the Coalition’s by-laws, joining the Coalition requires an affirmative vote of City Council and an affirmative vote of majority of Coalition board of directors. Each Member executes Joint Powers Agreement, Cost Sharing Agreement and “CPA Member Services Contract.” Each Member must also affirm/approve the Coalition’s Risk Management, Retail Rates, Financial Reserves and Data Policy and Security policies. It appears that joining the Coalition and executing the JPA and executing other agreements can be sequenced, though if Concord wants to launch as quickly as possible it will not be possible to defer execution of agreements for long. | <ul style="list-style-type: none"> The City would execute contracts with the consultant and the energy supplier. The contractual arrangement with Standard Power is documented in an MOU. Keene entered a more detailed Services Agreement with Standard Power in lieu of an MOU. Standard Power would be willing to do the same with Concord. Standard Power would run an RFP for the City to select an energy supplier who would procure energy and run the CP program for the City. Following selection of the energy supplier, the City would enter into a contract with the energy supplier with a term/duration of (guessing) 18-36 months. Keene and 3 other communities have a 30-month contract with Direct Energy, ending in December 2025. The supplier will not necessarily agree to use the SP form of supplier agreement. E.g., Direct Energy insisted on using its own form of contract with Keene. Supplier proposal might need to be accepted and supplier contract |

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| | | <p>signed very quickly after responses to RFP come in – suppliers won't be able to hold their bid prices for long.</p> <ul style="list-style-type: none"> • Standard Power is not committed to Direct Energy as supplier. The initial supplier to Concord might be Direct Energy or a different company. The next supplier might be different from the first. And the length of contract might or might not be different from Keene's, depending on what is most advantageous at the time. |
| <p><i>Exiting the Arrangement</i></p> | <ul style="list-style-type: none"> • Under the JPA, to leave the Coalition, Concord would have to notify the Coalition Board Chair of its wish to leave the Coalition, and would be liable for its obligations under any Project Contract or Cost Sharing Agreement for remaining term of Project Contract or Cost Sharing Agreement. • A member can terminate its Member Services Agreement (a) on 36 months notice (happens to be maximum period for which Coalition could purchase power) or (b) at an earlier date after a minimum waiting period determined by Coalition based on the point at which member would have no costs for withdrawal (including losses from resale of power contracted for by Coalition to serve member's CPA load). Member can use its allocated share of Joint Reserves or Discretionary Reserves (see below) to satisfy this liability. • Practically speaking, this means a member could leave the Coalition sooner than 36 months without liability provided that it continues to take Coalition service for long enough until the member's reserves | <ul style="list-style-type: none"> • The MOU with SP does not have a specified term. The City could terminate the MOU on written notice but SP will continue to receive compensation from the supply contract it procured until it ends. If the City enters a Services Agreement with SP instead of an MOU, we would want the Services Agreement to have a similar termination provision as the MOU. • The contract with the supplier will expire at the end of 30 months (or whatever the term/duration is). Before expiration, if the City wants to continue in this model, the City would issue an RFP for a new CP contract with a supplier. • There is no elective right of termination (only termination for cause) under SP's form of agreement with the supplier. We also shouldn't expect to see an elective right of termination under a form of agreement provided by a supplier (supplier is counting on contract length in formulating its price). Thus, Concord should expect the supply agreement (once executed) to continue for its full term. • To exit this arrangement, the City |

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| | <p>were sufficient to offset any power resale losses and other liabilities.</p> | <p>would let the supply contract expire without replacing it, and terminate the contract with SP.</p> |
| <p><i>Services Provided – LSE, power supply, RECs etc.</i></p> | <ul style="list-style-type: none"> • Coalition provides the following services for its members if they want them (currently offered as a bundle): LSE services, all requirements energy supply, retail data management and billing services, retail customer support, portfolio risk management services, banking and financial services, enterprise data management, additional management and credit support. Coalition might unbundle services in the future. • Coalition has contracted with third parties (e.g., Calpine, Ascend Analytics, Clean Energy New Hampshire) for these services. • Calpine currently serves as ISO-NE market participant and LSE for the Coalition on an “interim” basis. Later, the Coalition itself will serve in this role when it builds the necessary reserves to meet qualifications. • Coalition will procure energy for its members unless a member wants to do this itself. Ascend Analytics advises the Coalition on its issuance of requests for offer (Calpine itself might propose). Once offers are selected, Calpine purchases the power and RECs on the Coalition’s behalf. The Coalition could do this for itself once it builds up its reserves and credit. Reducing Calpine’s role would reduce overhead and help the Coalition to deliver lower rates to customers. • The Coalition is targeting a reserve of 60 days of operating cost within 3 years (but might be on target to achieve the goal within 1 year). It | <ul style="list-style-type: none"> • Standard Power solicits supplier proposals, supports the public education process (e.g., postcards to residents), plays a role in customer support and helps administer the supply contract. • According to Standard Power, the supplier (for Keene, Direct Energy) serves as market participant and LSE, and supplies power, delivers RECs, interacts with utility, and data administration services (so RFP for supplier would seek these services). • Form of supplier agreement provided by Standard Power gives the supplier the exclusive right to provide all requirements power supply (including RECs) to participating customers (Section 2.1). It requires the supplier to provide certain customer services, e.g., provide and staff a toll-free telephone number, develop a script for customer inquiries and respond to the municipality’s inquiries (Sections 5.2, 5.3), and perform customer billing services (or arrange with the utility to do the same) (Section 7.4). • Standard Power’s form of supplier agreement is not necessary the agreement that the City would sign with a supplier. The City will need to make sure that whatever form of supplier agreement is used covers all services we expect the supplier to provide, and might have to conduct that review very quickly in the supplier RFP process. |

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| | <p>is targeting a reserve of 120 days of operating cost in 5 years.</p> <ul style="list-style-type: none"> • Calpine runs the call center; manages utility data exchange, billing, and customer opt-ins/outs/ups for the Coalition. | |
| <i>Costs</i> | <ul style="list-style-type: none"> • “Coalition General and Administrative Costs” are paid by all members on a pro rata basis based on total electric load. • “CPA Member Services Costs” are paid by Members utilizing the services. • “Direct Project Costs” for particular Project (e.g., local) pursuant to Project Contract are recovered from the member(s) that participate in that Project. • Coalition members that funded Coalition startup can seek reimbursement of their costs. Amount is known (estimated at around \$4-5 million). The Coalition reimburses the founding members and then these costs are allocated to member communities. • Some portion of “headroom” (see below) is directed to reserves, further discussed below. • Costs are recovered through program revenues. | <ul style="list-style-type: none"> • A consultant fee is paid to Standard Power (1/10 cent/kwh) (paid out of revenues collected by Supplier). • Supplier receives energy payment collected by utility. Supplier’s product costs, overhead and profit are folded into the rate it charges and receives. • Municipality could, if it chose, add a charge on top of the rate described below to fund a local community reserve fund that would fund local energy projects to provide some supply or energy efficiency or other services. |
| <i>Reserves</i> | <ul style="list-style-type: none"> • The Coalition’s reserves are primarily intended for rate stability and to mitigate future price risks, establish general creditworthiness and meet reserve requirements to be a market participant. • Reserves are categorized as Joint Reserves, Excess Reserves and Discretionary Reserves. • Coalition is trying to build Joint Reserves to 3 successive levels – Minimum Operating Reserve (60 days of operation), Target Operating Reserve (120 days of operation), Maximum Operating | N/A |

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| | <p>Reserve (180 days of operation). The goal is to reach the Minimum Operating Reserve within 3 years, and the Target Operating Reserve within 5 years. The Maximum Operating Reserve is a longer-term goal. The Coalition received a forecast indicating that it can achieve its minimum reserve target in 1-2 years' time.</p> <ul style="list-style-type: none"> • Excess Reserves means reserves in excess of the maximum joint target. It can be returned to members to become Discretionary Reserves. • Discretionary Reserves can be collected and used at the sole discretion of each individual member. This is a way to fund locally developed "Projects" within the Coalition structure. • The Coalition characterizes its reserves as being like equity for its members, at least to the extent that an allocated share of Joint Reserves can be used to offset withdrawal costs. Discretionary Reserves belong to the member community. • When Joint Reserves are funded to a certain level, the Coalition will be in a position to reduce its reliance on Calpine, enabling the Coalition to lower overhead and rates. | |
| <i>Flexibility</i> | <ul style="list-style-type: none"> • Being a member of a Coalition entails being bound by Coalition decisions. Nevertheless, the Coalition says it is structured to give members flexibility. • In the future, members are expected to have flexibility to not utilize all of the Coalition services (more of an a la carte approach). • Individual members can participate in particular "Projects" through the Coalition. | <ul style="list-style-type: none"> • Concord would have its own contract with a supplier, but the end-game to negotiating and signing the contract is likely to be rushed. • Products and services perhaps can be changed by contract amendment, but a contract amendment requires both parties to agree. Because the supplier agreement expires in relatively short term, new arrangements likely would be folded into next contract. |

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| | | <ul style="list-style-type: none"> • A new local project (Keene is working on a big one) could perhaps be developed and included in the local power supply. The power from that project would be included in the supplier's offering. |
| <i>Expertise</i> | <ul style="list-style-type: none"> • CEO – Brian Callnan – lots of experience in managing supply risk (did this for NHEC and had experience in Vermont before that). • A good amount of expertise on board, learn from other communities' experiences. • Forms and plans of all kinds • Calpine is major energy company. | <ul style="list-style-type: none"> • Standard Power, in particular Bob Hayden its president, is an experienced energy broker and consultant based in Nashua. • Keene's supplier Direct Energy is a major national energy supply company. |
| <i>Innovations</i> | The Coalition anticipates offering innovative services such as TOU rates and smart meters in the future and seems likely to be able to support energy storage, demand response and other peak shaving devices, microgrids and other innovations. | The City would have to require innovations in its RFP/supplier contract in order to receive them for the supplier contract period. It shouldn't expect Standard Power or the supplier to propose innovations. |
| <i>Current Power Supply Offerings</i> | <p>The Coalition currently offers the following products:</p> <ul style="list-style-type: none"> -Granite Basic (RPS compliant) -Granite Plus (33% Renewable Energy (RE)) -Clean 50 (50% RE) -Clean 100 (100% RE) <p>Members may adopt either of first two offerings as default service. E.g., Hanover and Plainfield (both with a 100%RE commitment like Concord) are using Granite Plus as default. Most are using Granite Basic. Coalition policies would need to be modified to allow for 50%RE or 100%RE to be default option in the future. Durham among others has inquired about relaxing this requirement to allow for 50%RE as default. Per the Coalition's Retail Rates Policy, all RECs must be NH RPS-compliant with a preference for in-state generation.</p> | <p>Current Keene products:</p> <ul style="list-style-type: none"> -RPS compliant -33% Renewable Energy (RE) -50% RE -100% RE <p>Standard Power asks its communities to use 33%RE as default (as Keene is doing), but one community working with Standard Power chose RPS compliant as its default. Per their supplier agreement, RPS-compliant means NH RPS-compliant (including the 4 classes) and additional RECs above RPS-compliant must be NH Class I RECs.</p> |

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| <p><i>Rate/Pricing Approaches</i></p> | <ul style="list-style-type: none"> • Coalition Board sets new prices every 6 months (but taking positions in the market continually, not going to market for all power every 6 months like utilities), targeting a base price below utility rates. Coalition prices have gone up in winter, down in summer, with rate offerings generally below Unutil rates through three Unutil rate cycles (caveat: different locations, territories) under very different market conditions. Coalition applies a portion of the “headroom” (difference between their cost and utility rates) to customer savings and a portion to reserve during each rate period. • The Coalition also offers commercial rates (which change monthly) to large commercial customers. It is unclear how many commercial customers take advantage of these rates. • Coalition will re-set rates for period from 2/1/24-7/31/24 in late December, after Unutil and other utilities have set their new rates. Utility rate filings should be coming up soon. | <p>Standard Power seeks flat pricing for term of supplier contract. E.g., Keene has flat pricing for the term of its contract (30 months). Keene’s utility is Eversource. Keene’s rates beat Eversource’s rates through two cycles but are about 3 cents higher than Eversource’s newly approved rate for the 2/1/24-7/31/24 rate cycle.</p> <p>At this time, the pricing sought by Standard Power does not include special commercial rates.</p> |
| <p><i>Pathway to 100%RE</i></p> | <p>There appear to be two mechanisms to move toward 100% renewable electricity within the Coalition structure: (1) develop or contract with “Projects” serving Concord separate from the standard Coalition offerings, and/or (2) get the Coalition to allow Concord to gradually raise its default offering to 100% RE. Ultimately, participating in “Projects” will be key to meeting the goal. Simply purchasing market RECs in addition to power purchases probably won’t allow us to hit the 100%RE target while holding down rates.</p> | <p>There appear to be two mechanisms to move toward 100% renewable electricity within the consultant/supplier structure: (1) develop or contract with “Projects” serving Concord and fold them into the supplier’s contractual power and REC offerings, and/or (2) in a future supplier RFP (not the first one), ask suppliers to deliver 100% RE (power and RECs). Ultimately, developing “Projects” will be key to meeting the goal. Simply purchasing market RECs in addition to power purchases probably won’t allow us to hit the</p> |

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| | | 100%RE target while holding down rates. |
| <i>Size</i> | The Coalition says that it has 54 members as of 12/28/23, including Merrimack County which just joined. 12 Coalition member communities launched programs in May 2023. Dover October and Cheshire County (on behalf of three of its towns) launched in October/November 2023. 10 more (including Pembroke) will launch in March 2024, and up to a dozen more in May or June. | Standard Power is working with at least 27 communities, probably more. 4 SP communities (Keene and 3 others) launched programs in June 2023. As many as 23 more SP communities will launch programs in the spring of 2024. |
| <i>Purchaser Market Power</i> | Launched Coalition municipalities population base is perhaps 14% of state now, 25% or more by next year. Has significant purchaser market power. | Purchaser market power would be mostly on an individual community basis, though Standard Power is seeking to go to market with multiple communities where feasible. Standard Power says Concord has enough load that joining the Coalition would not materially add to Concord’s market power. |
| <i>Treatment of Net Metering</i> | The Coalition is currently treating net metering customers as opt-in because of the difficulties in getting the utilities to share data to make sure net metering customers get full credit for their exports under community power. They expect the issue to be settled in the coming weeks or months, so it might be a non-issue by the time Concord launches. | Keene and Standard Power communities face the same net metering challenge with the utilities but are trying to work individually with net metering customers in varying circumstances to find solutions that enable them to participate in community power. SP takes the lead on interfacing with net metering customers. |
| <i>Conclusions</i> | <ul style="list-style-type: none"> • Think of governance as City + Coalition. The Coalition would be primarily responsible for running the community power program for the City. • Coalition governance structures and policies are clear, robust and sound, and very detailed. • How the Coalition operates and what it does with the funds it accrues is very transparent, though the detailed operations of Ascend Analytics and Calpine are proprietary (by necessity). | <ul style="list-style-type: none"> • Think of governance as City + contracts with Standard Power and Supplier. The Supplier would be primarily responsible for running the community power program for the City. • Arrangement relies on bilateral contracts to which the City is a party, a simple legal approach that is familiar to the City because it resembles a competitive electric supply arrangement in some respects. Documentation is less robust than the Coalition, detail is |

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| | <ul style="list-style-type: none"> • Coalition seems built to provide good service and rates over the long term. In particular, the reserve funds critical to the Coalition’s approach and long-term stability. Some Coalition members take comfort in this aspect of the Coalition. • Coalition characterizes reserves as equity for its members, accruing as to a member as service is provided. A member that withdraws from the Coalition can use its allocation of reserves to offset any liabilities. • As a member of a Coalition, the City would be subject to group decisions via the Board of Directors (e.g., Board sets rates) and thus would not have complete freedom of maneuver. City can mitigate this disadvantage and maximize its influence by being an active member of the Coalition. • Coalition is a non-profit organization dedicated to serving its members, though some of its key contractors are for-profit companies. • Product offerings to customers are standardized now, with perhaps an opportunity to pick and choose among options later. • Coalition currently does not allow a member to offer a default option higher than 33%RE. We are told that we can expect the Coalition to offer flexibility enabling Concord to pursue 100%RE if it wishes (Hanover and Plainfield are members and have committed to 100%RE). • “Projects” will be key to meeting the 100%RE goal. • Setting new prices every 6 months enables the Coalition to help assure price advantage vs. utility and will | <ul style="list-style-type: none"> less and transparency is less. • The City would be operating on its own, and thus would have freedom of maneuver in the sense that it would not be constrained by a group. However, once the City executes its contracts it would be subject to the contracts. • Standard Power, and the supplier, are for-profit companies. Standard Power’s parent owns and operates small hydro projects in New England and thus supplies the market with power and RECs. However well-intentioned the SP representatives are, we should expect SP and the supplier to act in their corporate interests first. • Product offerings to customers are standardized now, but we should expect to be able to customize options in future supplier including a move to 100%RE. • “Projects” will be key to meeting the 100%RE goal. • Pricing structure is flat for the term of the supply contract (simple). Because the contract rate is flat and the utility rates can change, there seems to be a greater risk with this model that the utility rate might fall below the contract rate during a particular rate period, as happened with Keene. • The supply contract is a critical document. Standard Power provided a form of supply contract, but this form might not be the actual contract Concord would sign. • There would not be long-term continuity. The contractual arrangement with supplier will end after short period, then City will need to enter a new arrangement. • Standard Power expresses |
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| | <p>help build up reserve.</p> <ul style="list-style-type: none"> • As a member of a group, City could learn from other group members and follow best practices. Some Coalition members prize this opportunity. • Coalition may be better positioned to facilitate future energy innovation in Concord (e.g., time of use rates, demand response, energy storage and other peak-shaving mechanisms). For innovation, there is no substitute for belonging to a group on the forefront of energy thinking in NH. • A New Hampshire-developed approach. Out-of-state analog is Vermont Public Power Supply Authority (VPPSA). • Coalition seems to be trying to position its communities optimally for the long run. • Coalition is active on the legislative and regulatory front advocating for the interests of community power programs. | <p>intentions to help Concord innovate over time but I'm not sure they are wired to do it in the way that the Coalition is, and I don't know that Concord plus a well-intentioned Standard Power can match what the Coalition will offer on innovation.</p> <ul style="list-style-type: none"> • Standard Power is New Hampshire-based. As discussed by Mari Brunner of Keene, Standard Power was a strong local presence there. • At least one representative of a red/purple community using a consultant perceived Coalition as too "progressive" and active in the legislative realm. |
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