



**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DE 16-XXX

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Annual Retail Rate Filing

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

March 18, 2016

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I. Introduction and Qualifications

Q. Please state your full name and business address.

A. My name is John D. Warshaw, and my business address is 15 Buttrick Rd, Londonderry, NH 03053.

Q. By whom are you employed and in what capacity?

A. I am the Manager, Electric Supply for Liberty Utilities Service Corp. which is the sole shareholder of Liberty Utilities (Granite State Electric) Corp. (“Granite State” or “the Company”) and provides services to Granite State. I oversee the procurement of power for Energy Service for Granite State as well as the procurement of renewable energy certificates (“RECs”). I am also responsible for monitoring costs and activities relative to transmission service provided to the Company.

Q. Please describe your educational background.

A. I graduated from the State University of New York Maritime College in 1977 with a Bachelor of Science in Nuclear Science. I received a Master’s in Business Administration from Northeastern University in 1986. In 1992, I earned a Master of Arts in Energy and Environmental Management from Boston University.

Q. What is your professional background?

A. In November of 2011, I joined the Company as Manager, Electric Supply for Granite State. Prior to my employment at Liberty Utilities Service Corp., I was employed by National Grid USA Service Company (“National Grid”) as a Principal Analyst in Energy Supply – New England from 2000 to 2010. In that position I conducted a number of

1 solicitations for wholesale power to meet the needs of National Grid's New England
2 distribution companies. I also administered both short-term and long-term power
3 purchase agreements for National Grid's New England distribution companies. Prior to
4 my employment at National Grid, I was employed at COM/Energy (now NSTAR) from
5 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at
6 COM/Energy responsible for supporting state and federal rate filings. In 1997, I
7 transferred to COM/Electric to work in Power Supply Administration.

8 **Q. Have you previously testified before the New Hampshire Public Utilities**
9 **Commission ("Commission")?**

10 A. Yes. I most recently provided written and oral testimony before the Commission in
11 Docket No. DE 15-010 on September 22, 2015.

12 **Q. Have you testified before any other state regulatory agencies?**

13 A. Yes. I have testified before both the Massachusetts Department of Public Utilities and
14 the Rhode Island Public Utilities Commission regarding electric supply and renewable
15 portfolio procurement activities.

16 **II. Purpose of Testimony**

17 **Q. What is the purpose of your testimony?**

18 A. My testimony addresses the estimated 2016 transmission expenses for Granite State.
19 First, I will summarize the various transmission services provided to Granite State and
20 describe how Granite State pays for such services. Second, I will provide testimony
21 supporting the forecast of transmission expenses that Granite State expects to incur in

2016. As described more fully in the second part of my testimony, the Company forecasts an increase of \$176,233 in prospective transmission expenses compared to the forecast provided for calendar year 2015 in Docket No. DE 14-340.

III. Summary of Transmission Services Provided to Granite State

Q. Please summarize what transmission services Granite State receives from ISO New England Inc. (the “ISO” or “ISO-NE”) under rate schedules approved by the Federal Energy Regulatory Commission (“FERC”).

A. Granite State receives transmission services under the ISO New England Inc. Transmission, Markets and Services Tariff (“ISO Tariff”) as follows:

1. Section II (Schedules 1, 2, 9 and 16) of the ISO Tariff provides for Regional Network Service (“RNS”);
2. Section IV.A – ISO Funding Mechanisms provides for the recovery of ISO’s Administrative Services and
3. Section II, Schedule 21 of the ISO Tariff provides for Local Network Service (“LNS”) from the New England Power Company (“NEP”).

Q. Please describe further the types of transmission services that are billed to Granite State under the ISO Tariff.

A. New England’s transmission rates utilize a highway/local pricing structure. That is, Granite State receives regional transmission service over “highway” transmission facilities under Section II of the ISO Tariff (also known as RNS), and receives local transmission service over local transmission facilities under Schedule 21 of the ISO

1 Tariff (also known as LNS). Additionally, a number of administration services are
2 provided by ISO-NE under Section IV.A of the ISO Tariff.

3 **Explanation of ISO Tariff Services, Rates & Charges**

4 **Q. Please explain the services provided to Granite State under the ISO Tariff.**

5 A. Section II of the ISO Tariff provides access over New England's looped transmission
6 facilities, more commonly known as Pool Transmission Facilities ("PTF") or bulk
7 transmission facilities. In addition, the ISO Tariff provides for Ancillary Services (Black
8 Start, Reactive Power, and Scheduling, System Control and Dispatch Services) as
9 described more fully later in this testimony.

10 **Q. How are the costs for RNS recovered?**

11 A. The ISO Tariff RNS Rate ("RNS Rate") (Section II - Schedule 9 of the ISO Tariff)
12 recovers the RNS costs, and is determined annually based on an aggregation of the
13 transmission revenue requirements of each of the Participating Transmission Owners
14 ("PTO") in New England, calculated in accordance with a FERC approved formula in a
15 single, "postage stamp" rate in New England. Granite State is currently participating in
16 the proceeding recently instituted by the FERC in Docket No. EL 16-19-000 to
17 investigate the reasonableness of the formula rate protocols used to develop both RNS
18 and LNS rates. Any refunds that may result from this investigation will be included in
19 the next retail rate filing for transmission service.

1 **Q. Please describe the ISO-NE System Restoration and Planning Service, Reactive**
2 **Supply and Voltage Control, and Scheduling, System Control and Dispatch Services**
3 **that are included in the ISO Tariff.**

4 A. ISO-NE System Restoration and Planning Service (Section II - Schedule 16 of the ISO
5 Tariff), also known as Black Start Service, is necessary to ensure the continued reliable
6 operation of the New England transmission system. This service allows for the payment
7 to generators who have the capability of supplying load and the ability to re-start without
8 an outside electrical supply to re-energize the transmission system following a system-
9 wide blackout.

10 Reactive Supply and Voltage Control (Section II - Schedule 2 of the ISO Tariff), also
11 known as Reactive Power Service, is necessary to maintain transmission voltages within
12 acceptable limits on the ISO-NE transmission system and allows for the payment to
13 generators or other facilities that have the capability to produce or absorb reactive power.

14 Lastly, Scheduling, System Control and Dispatch Service (“Scheduling & Dispatch
15 Service”) consists of the services required to schedule the movement of power through,
16 out of, within, or into the ISO-NE Control Area over the PTF and to maintain System
17 Control. Scheduling & Dispatch Service also provides for the recovery of certain charges
18 that reflect expenses incurred in the operation of satellite dispatch centers.

1 **Q. How are the ISO-NE charges for Black Start and Reactive Power assessed to**
2 **Granite State?**

3 A. ISO-NE assesses charges for Black Start and Reactive Power Services to Granite State
4 each month based on Granite State's proportionate share of its network load to ISO-NE's
5 total network load.

6 **Q. How are the charges for Scheduling & Dispatch Service assessed to Granite State?**

7 A. Charges for Scheduling & Dispatch Service are assessed to Granite State through three
8 separately charged tariffed services.

9 The first charge is for the expenses incurred by ISO-NE in providing these services and is
10 recovered under Schedule 1 of Section IV.A of the ISO Tariff. These costs are allocated
11 to Granite State each month based on an annually filed FERC-approved fixed rate times
12 Granite State's monthly Network Load.

13 The second charge is for the costs incurred by the individual transmission owners in
14 providing Scheduling & Dispatch Service over PTF facilities, including the costs of
15 operating local control centers, and are recovered under Section II, Schedule 1 of the ISO
16 Tariff. These costs are allocated to Granite State each month based on a formula rate that
17 is determined each year based on the prior year's costs incurred times Granite State's
18 monthly Network Load.

19 The final service is the costs of Scheduling & Dispatch Service for transmission service
20 over transmission facilities other than PTF that are charged under Schedule 21 of the ISO

1 Tariff. Thus, the three types of Scheduling & Dispatch costs are similar, but are charged
2 to Granite State through three different tariff mechanisms.

3 **Q. What additional administrative services and/or charges flow through to Granite**
4 **State under Section IV.A of the ISO Tariff?**

5 A. Granite State also incurs charges pursuant to Section IV.A Schedule 5, of the ISO Tariff.
6 Schedule 5 provides for the collection of the New England States Committee on
7 Electricity's ("NESCOE") annual budget.

8 **Q. How are the ISO Tariff Administrative Services charges assessed?**

9 A. ISO-NE assesses the charges in Section IV.A based upon stated rates pursuant to the ISO
10 Tariff. These stated rates are adjusted annually when ISO-NE files a revised budget and
11 cost allocation proposal to become effective January 1 each year. Granite State is
12 charged the stated rate for these services as part of ISO-NE's monthly billing process,
13 based on its Network Load for Section IV.A Schedule 1 and Schedule 5 charges.

14 **Explanation of Schedule 21 NEP Tariff Services, Charges and Credits**

15 **Q. What services are provided to Granite State under Schedule 21 of the ISO Tariff?**

16 A. Schedule 21 provides service over NEP's local, non-highway transmission facilities,
17 considered non-PTF facilities ("Non-PTF"). The service provided over the Non-PTF is
18 referred to as LNS. NEP also provides metering, transformation and certain ancillary
19 services to Granite State to the extent such services are required by Granite State and not
20 otherwise provided under the ISO Tariff.

1 **Q. Please explain the metering and transformation services provided by NEP.**

2 A. NEP separately surcharges the appropriate customers for these services. NEP provides
3 metering service when a customer uses NEP-owned meter equipment to measure the
4 delivery of transmission service. NEP provides transformation service when a customer
5 uses NEP-owned transformation facilities to step down voltages from 69 kV or greater to
6 a distribution voltage.

7 **Q. Are there any other transmission services for which NEP assesses charges to**
8 **Granite State?**

9 A. Yes. Granite State relies upon the specific distribution facilities of NEP's affiliate,
10 Massachusetts Electric Company ("Mass Electric"), which provides for NEP's use of
11 such facilities pursuant to the Integrated Facilities provision of NEP's FERC Electric
12 Tariff No. 1 service agreement with Mass Electric. NEP, in turn, uses these specific
13 distribution facilities to provide transmission service to Granite State. Therefore, Granite
14 State is also subject to a Specific Distribution Surcharge for its use of these facilities.

15 **Q. What is the credit in Schedule 21 charges that NEP provides to Granite State in its**
16 **monthly invoice?**

17 A. As a result of the sale of Granite State to Liberty Utilities, NEP uses certain distribution
18 facilities of Granite State to provide service to generation customers of NEP. An
19 Integrated Facilities Supplement to Schedule 21 of the ISO Tariff provides Granite State
20 with a credit in exchange for the continued use by NEP of Granite State's facilities to
21 serve NEP's generation customers.

1 **IV. Estimate of Granite State's Transmission Expenses**

2 **Q. Was the forecast for Granite State's transmission and ISO expenses for 2016**
3 **prepared by you or under your supervision?**

4 A. Yes. Granite State estimates the total transmission and ISO-NE expenses (including
5 certain ancillary services) for 2016 to be approximately \$22.7 million, as shown in
6 Schedule JDW-1, Summary Page 1. This equates to an increase of \$176 thousand as
7 compared to the forecast for 2015 provided in Docket No. DE 14-340.

8 **Q. How have the ISO Tariff charges for RNS shown on line 3 of Schedule JDW-1 been**
9 **forecasted?**

10 A. The Company has applied an estimated rate increase to the total RNS rate currently in
11 effect to reflect the forecast of PTF plant additions across New England, as estimated by
12 the New England transmission owners, to be included in the annual formula rate effective
13 June 1, 2016. The estimated rate increase was provided by the PTO Rates Group
14 presentation during the 2015 NEPOOL Reliability and Transmission Committees'
15 Summer Meeting. The estimated increase of \$6.28 per kW-year in 2016 to the RNS rate
16 is added to the current RNS rate to get an estimated rate of \$104.98 per kW-year. This
17 results in an estimated increase of \$1,535,086 as shown in column 2 of Schedule JDW-1,
18 page 2 of 2.

19 **Q. Given the \$6.28 per kW-year (6.4%) increase in the RNS rate, why is the estimated**
20 **increase in RNS charges significantly larger (10.4%)?**

21 A. In developing the 2015 RNS costs in DE 14-340, the forecasted RNS rate of \$96.60 per
22 kW-year to be effective June 1, 2015, was used, as provided in the 2014 NEPOOL

1 Reliability and Transmission Committees' Summer Meeting. The final, approved RNS
2 rate effective June 1, 2015, was \$98.70 per kW-year. As a result, the forecasted RNS
3 charges for 2015 were lower than if the final, approved RNS rate had been used. This
4 resulted in an under-estimate of 2015 RNS costs. Granite State is participating in the
5 recent investigation of ISO-NE's Transmission, Markets and Service Tariff opened by
6 FERC on December 28, 2015 (EL16-19). FERC has found the current formula rate
7 protocols do not provide the transparency and specificity required to ensure them to be
8 understandable and reviewable by transmission customers. At the conclusion of this
9 investigation, the FERC may order refunds which the Company will pass on to its
10 customers at the next applicable transmission retail rate filing.

11 **Q. Schedule JDW-1 also includes estimated ISO-NE charges for Black Start, Reactive**
12 **Power, and Scheduling and Dispatch. How were these costs forecasted?**

13 A. The Black Start costs shown on line 5 of Schedule JDW-1 were derived in two steps.
14 First, as shown in Section II of Schedule JDW-3 ; the Company estimated the cost for
15 Black Start Service by summing Granite State's actual monthly ISO-NE Black Start
16 expenses for 2015 (Line 5). This estimate is divided by Granite State's 2015 Peak Load
17 to calculate an estimated annual rate, as shown on line 7. Granite State then calculated a
18 monthly rate (annual rate divided by 12), as shown on line 8. To obtain the estimate of
19 Black Start costs that would be charged to Granite State, as shown in column 4 of
20 Schedule JDW-2, page 1, the Company multiplied the monthly rate by Granite State's
21 monthly network load, as shown for each month in column 1 of Schedule JDW-2, page 1.
22 Using this methodology, the Company estimates an allocation of \$90,161 for 2016.

1 **Q. How have you estimated Reactive Power costs for Granite State?**

2 A. The estimated Reactive Power cost for Granite State was calculated by using actual
3 Granite State costs for 2015 as shown in Section I of Schedule JDW-3. The annual rate
4 was determined by dividing the total Reactive Power costs charged to Granite State (Line
5 1) by Granite State's peak 2015 Network Load. The monthly rate (annual rate divided by
6 12) is then multiplied by Granite State's monthly network load, as shown on column 5 of
7 Schedule JDW-2, page 1 to determine the estimated charges for Reactive Power Service.
8 Using this methodology, the Company estimates an allocation of \$208,006 for 2016.

9 **Q. How did you forecast the Scheduling and Dispatch costs shown on line 4 of Schedule**
10 **JDW-1, page 1?**

11 A. My estimate is shown in column (3) of Schedule JDW-2, page 1. This amount was
12 derived by using the currently effective OATT Schedule 1 rate of \$1.60933 per kW-year,
13 divided by 12, and further multiplied by Granite State's monthly network loads for 2015
14 as shown in column (1) of Schedule JDW-2, page 1.

15 **Q. Have you included any Reliability Must Run ("RMR") contract charges to Granite**
16 **State for 2016?**

17 A. No. Reliability Must Run Agreements guarantee payments to generators that are needed
18 to ensure reliability. To obtain an agreement, a generator must receive verification from
19 ISO-NE that it is needed for reliability and must demonstrate that it is unable to cover its
20 operating costs with revenue from other sources. Granite State has not incurred any
21 RMR contract charges as there have been no RMR contracts for the New Hampshire

1 reliability region over the past year. Therefore, the Company has not forecasted any
2 RMR contract costs for 2016.

3 **Q. Can you please explain the forecast of the ISO-NE Administrative Charges shown**
4 **on lines 7 and 8 of Schedule JDW-1 page 1?**

5 A. Yes. Lines 7 and 8 include ISO-NE Administrative charges for Scheduling & Dispatch
6 and NESCOE respectively, and are derived on Schedule JDW-2 page 2. Line 7 on
7 Schedule JDW-1 page 1 shows the 2016 forecast of charges to Granite State under
8 Schedule 1, Scheduling and Load Dispatch Administrative schedules through Section
9 IV.A of the ISO Tariff. The estimate is based on the ISO-NE revenue requirement for
10 Schedule 1 filed each year with FERC. This amount was derived by using the ISO
11 Schedule 1 rate of \$0.19275 per kW-month and multiplied by Granite State's forecasted
12 monthly network load as shown in column 1 of Schedule JDW-2, page 2.

13 Line 8 on page 1 of Schedule JDW-1 shows the estimated 2016 NESCOE charges under
14 Schedule 5 of Section IV.A of the ISO Tariff. This amount was derived by using the ISO
15 Schedule 5 rate of \$0.00296 per kW-month and multiplied by Granite State's forecasted
16 monthly network load as shown in column 1 of Schedule JDW-2, page 2.

17 **Q. What is the sub-total of transmission expenses attributable to charges from the ISO-**
18 **NE?**

19 A. The sub-total of ISO-NE charges is \$16,900,874 which is the sum of lines 3 through 8 on
20 Schedule JDW-1 page 1.

1 **Q. Have you estimated the charges to Granite State under Schedule 21 of the ISO**
2 **Tariff?**

3 A. Yes. Lines 1 and 2 of Schedule JDW-1 show the amount of forecasted charges from
4 NEP pursuant to the Local Network Service (“LNS”) tariff. The total amount of
5 expenses is \$5,839,524 which represents a net decrease of \$1,437,153 in the total NEP
6 expenses NEP will charge to Granite State in 2016 (see Schedule JDW-1, page 2, lines 1
7 and 2). Granite State estimated the PTF and non-PTF expenses based on the average of
8 NEP’s actual charges in 2015 and the percent change from 2014 to 2015 as shown on
9 Schedule JDW-4 page 2. Metering, transformation, specific distribution, and ancillary
10 service charges are based on current rates and are assessed to Granite State based on a per
11 meter and peak load basis, respectively. A maintenance service credit, as discussed
12 previously, was also included in the estimate.

13 **V. Explanation of Primary Changes from Last Year’s Forecasted Expenses**

14 **Q. What are the primary causes of the estimated increase in Granite State’s 2016**
15 **transmission expenses?**

16 A. The estimated 2016 Granite State transmission and ISO-NE expenses of \$22.7 million
17 represent a net increase of \$176,233 from the 2015 forecast of transmission expenses for
18 Granite State. The largest increase is from Granite State’s RNS transmission charges,
19 estimated to increase \$1,613,386 as indicated on Schedule JDW-1 at page 2 when
20 compared to the estimate performed for 2015. This is offset by the estimated reduction in
21 NEP LNS charges of \$1,437,153.

1 **Q. What is the reason for the decrease in NEP's LNS charges?**

2 A. Granite State experienced a significant increase in NEP's LNS charges in 2014 as
3 compared to the same costs in 2013. As a result there was a significant under recovery of
4 these charges in 2014. In estimating the 2015 rate, I assumed a similar increase for 2015
5 due to the planned investment by NEP in its transmission system, see Schedule JDW-4,
6 page 2. The actual 2015 costs were significantly less than that forecast.

7 **VI. Conclusion**

8 **Q. Does this conclude your testimony?**

9 A. Yes.