

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

ORIGINAL	
N.H.P.U.C. Case No.	DE 13-018
Exhibit No.	12
Witness	J. Warshaw
DO NOT REMOVE FROM FILE	

Docket No. DE 13-018

Granite State Electric Company d/b/a Liberty Utilities

Petition for Approval of Revisions  
to Default Service Solicitation Process

Proposal to Change Procurement Schedule for the Large Customer Group  
from Four Times a Year to Twice a Year

Technical Statement of John D. Warshaw

**Proposal to Change Large Customer Group Procurement Schedule**

**I. Introduction**

This proposal arises out of the Settlement Agreement regarding Post-Transition Default Service Filing by Granite State Electric Company ("Granite State"), the Staff of the Public Utility Commission and the Office of the Consumer Advocate, which was approved by the Commission in Docket No. DE 05-0126 on January 13, 2006, and subsequently modified and approved on December 19, 2008 (as amended, "Settlement Agreement"). The Settlement Agreement sets forth the process for the procurement of energy supplies for Granite State Electric Company d/b/a Liberty Utilities' ("Liberty" or "Company") medium and large customers (the "Large Customer Group") and for Liberty's residential and small commercial customers (the "Small Customer Group") when a customer in either group is not purchasing its energy supply from a Competitive Electric Power Supplier or Aggregator. As discussed below, Liberty is requesting approval of the Public Utility Commission (the "Commission") to change the required procurement schedule for the Large Customer Group from four times per year to twice per year, consistent with the existing approved schedule for the Small Customer Group.

**II. Background**

The Settlement Agreement (see SECTION 2) separated Liberty's customers into two distinct groups in order to procure a three-month default service supply for the Large Customer Group and a six-month default service supply for the Small Customer Group. Pursuant to the Settlement Agreement, solicitations for the Large Customer Group are issued quarterly and solicitations for the Small Customer Group semi-annually. Two of the Large Customer Group solicitations are issued in conjunction with the two Small Customer Group solicitations (see SECTION 5).

This solicitation schedule was proposed by Granite State when it was owned by National Grid. This schedule allowed National Grid to include Granite State's default service energy supply solicitations with National Grid's existing solicitations for Massachusetts Electric Co.'s default service energy supply. This had two advantages. First, it encouraged suppliers who were bidding on the much larger Massachusetts load to also bid on the smaller New Hampshire load. Second, it resulted in increased administrative efficiency by limiting National Grid's separate solicitations to four per year instead of requiring eight per year if Granite State was required to issue separate solicitations for its default service energy supply. However, Liberty believes that additional modifications of the default service procurement schedule will provide additional efficiencies without negatively impacting the Company's medium and large customers.

### **III. Explanation of the Proposal to Change Large Customer Group Procurement Schedule.**

Since the July 3, 2012 closing of the Granite State sale from National Grid, Liberty's Energy Procurement group has endeavored to differentiate the Granite State and National Grid procurement process. The first step was to immediately change the procurement schedule so that the due date for indicative and final bids for default service energy supply was not the same for both National Grid and Liberty. This allows suppliers to develop separate same-day bids for each of the companies' solicitations instead of having to choose one solicitation in which to submit a bid over the other. This also reduces any confusion on the part of prospective bidders due to the change from one solicitation for two National Grid companies to two separate independent solicitations for National Grid and Liberty.

Further, Liberty believes that reducing the number of solicitations from four per year to two per year for default service energy supply would provide additional administrative efficiency for Liberty without any negative impact on its industrial and large customers. This change would allow Liberty to focus on other customer concerns instead of the preparation and execution of four default service energy supply solicitations and rate filings. Increasing the procurement from three months to six months for the Large Customer Group would be consistent with the current process currently approved for the Small Customer Group.

In developing this proposal, Liberty reached out to its suppliers who have executed a Master Service Agreement and have provided bids for the Large Customer Group's default service energy supply. Virtually all of the suppliers had no concerns with the proposed procurement schedule change. Those suppliers who did express concerns indicated that increasing the solicitation from three months to six months could result in additional migration risk to a supplier which could be reflected in its bid price. Since this group of customers has the greatest opportunity to benefit from purchasing energy supply from the competitive marketplace, any cost increase can be offset by exploring alternatives to Liberty's default service energy supply. In addition, increasing the known price of the Large Customer Group's default service from three months to six months will reduce price volatility for these customers and provide a longer reference price to use when evaluating pricing from the competitive marketplace.

Liberty would continue to issue two six-month solicitations a year in February and August for service beginning in May and November. Instead of one six-month block for the Large Customer Group, Liberty proposes to split it into two three-month blocks, Liberty will be able to take advantage of any differences suppliers may have when evaluating the cost of serving a load block in the later three-month period vs. the earlier three-month period. This also allows suppliers that are reluctant to take on additional migration risk to only bid on the current three-month period and not on the later three-month period.

In addition, this would reduce the number of default service rate hearings from four to two per year thus freeing up both NH-PUC Staff and Commissioners from the requirement of reviewing two default service filings. By eliminating a filing and hearing in June and December, this frees up the NH-PUC docket at a time when scheduling is at a premium.

#### **IV. Liberty's Proposal**

Liberty proposes to change the procurement of default service energy supply for its Large Customer Group from quarterly to only twice a year, consistent with the existing approval schedule for the Small Customer Group. To implement this change, Liberty proposes to add a third load block in its procurement to include the later three months. The proposed procurement blocks would be as follows:

Load Block	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
A – LCG	X	X	X			
B – LCG				X	X	X
C – SCG	X	X	X	X	X	X

Liberty proposes to implement this procurement change with the solicitation scheduled to be issued in February 2014 for the May 1 through October 31, 2014 six-month period.