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N.H.P.U.C. Case No. DE 14-211
Exhibit No. #2
Witness John D. Warshaw
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NEXTera ENERGY POWER MARKETING

December 15, 2014

Via Hand-Delivery and Electronic Mail
Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

NHPUC 15DEC'14PM12:10

Re: DE 14-211, DE 14-031 and DE 14-061, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities and Unitil Energy Systems, Inc.– Petition for Alternate Plan for Procurement of Energy Services Requirements and Petitions for Default service for Winter 2014-2015

Dear Ms. Howland:

NextEra Energy Power Marketing, LLC ("NEPM") makes this filing pursuant to Commission Order No. 25,732 (Nov. 4, 2014) ("the Order") issued in the above-captioned dockets. The Order, among other things, directs intervenors and other "interested parties" to file on or before December 15, 2014, " proposals for procuring power in the event of a failed auction." Order at p. 3. In addition, NEPM requests that the Commission take administrative notice of NEPM's comments filed on September 19, 2014 in Docket DE 14-211 which are incorporated herein by reference.

NEPM is an "interested party" within the meaning of the Order for the following reasons: NEPM is wholesale supplier of electricity products in the New England markets and elsewhere. NEPM is unit of NextEra Energy Resources, LLC ("NextEra"), a company that owns and operates over 18,000 MW of generating capacity including New Hampshire's largest generator of electricity - the Seabrook nuclear power plant. NEPM frequently bids on default service solicitations issued in New Hampshire and other states. As an active participant in New Hampshire's default service procurement processes, NEPM will be directly impacted by any significant changes in those processes.

NEPM's Preferred Alternate Procurement Plan

NEPM recommends that if there are insufficient bids for Energy Service, Liberty and Unitil should solicit bids each subsequent week until the term is filled or it is no longer feasible to pursue additional bids. The companies could take affirmative steps to incent participation in the RFP processes. For example, they could publish a list of qualified bidders that plan to participate. In addition, redacted bid sheets could be posted after the first round of bids in order to maintain transparency in the competitive landscape and to encourage participation in the bid process.

As an alternative to Liberty's proposal, NEPM supports (for both companies) procurement options 1 through 3 of Unitil's Contingency Plan, all of which preserve the RFP process for obtaining default service supply.

Rationale for NEPM's Preferred Alternative Procurement Plan

NEPM's proposal is preferable to Liberty's Alternate Plan for several reasons. First, it is unreasonable to conclude that if one round does not produce necessary bidders, then subsequent rounds will not produce necessary bidders. Events that cause lack of participation in the first round could be short term (e.g., hurricane, market event, general timing issue, position limits) and may disappear a short time later. Bidders manage their position limits on a daily basis and they could change in a way that allows bid participation one day and not the next. An unsuccessful first attempt at competitive supply procurement will encourage participants to re-assess their positions. For example, if a party did not participate previously on the assumption that the solicitation was over-subscribed and they would not have the most competitive price, they may then clear their hurdle rate and choose to participate. In short, NEPM believes that the competitive procurement process should be preserved as much as possible, and should not be abandoned prematurely.

Second, Liberty's Alternate Plan should be rejected because it has the potential to negatively impact competitive electricity markets and most importantly customers. This outcome would be inconsistent with New Hampshire's electric industry restructuring policy principles favoring the procurement of default service "through the competitive market" and directing that alternative means of procurement should not "unduly harm the development of competitive markets, and mitigate against price volatility without creating new deferred costs." RSA 374-F:3(c) and (e).

Third, Liberty's Alternate Plan is essentially a "variable price" structure for default service. The potential negative ramifications of such a variable pricing plan should not be minimized. For example, after the winter of 2014, retailers with variable price structures were harshly criticized by regulators, utilities and the press, on "outrageous" unpredictable costs. While in many instances these increased variable costs simply reflected underlying wholesale market conditions, public and political backlash against the very pricing design that Liberty has proposed here was severe. Variable default service rates may also negatively impact future default service load pricing. Significant migration from default energy service could further reduce default service load to the point where competitors will not participate in future auctions. The unintended consequences that may result from even a one-time variable price construct may make Liberty's proposal a self- fulfilling prophecy. Even if bidders do participate in RFPs for substantially decreased default service load, they will likely include various risk premiums in their bids that may not exist today to properly account for potential migration from default service and other risks, which will drive up rates.

Fourth, Customers will bear all of the risks and costs associated with Liberty's Alternate Plan. In the past, unforeseen or unaccounted-for risks associated with wholesale market price volatility have been borne by wholesale suppliers of default service. Under Liberty's plan, default customers would be charged for all of Liberty's Energy Service procurement costs. The Commission must seriously question whether such risk-shifting from wholesale suppliers to end use customers is in the public interest.

Lastly, it is unclear why Liberty's Alternate Plan is preferable to Unitil's Contingency Plan or why both companies should not have similar alternative procurement plans. Although Liberty's Alternate Plan is consistent with Unitil's Option 4 , it is important to note that Unitil has characterized Option 4 as a "last-resort" which "would likely be a more costly alternative." Unitil Energy Systems, Inc. Contingency Plan for Default Service, DE 14-061, p. 3.

NEPM appreciates the opportunity to submit its alternate proposal for default service procurement. Please contact me if there are any questions about the information presented above.

Respectfully submitted,

Aundrea Williams

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