

Orr&Reno

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March 5, 2015

VIA HAND DELIVERY AND EMAIL

Debra A. Howland, Executive Director & Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

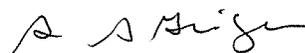
Re: Liberty Utilities (Granite State Electric) Corp., Public Service Company of New
Hampshire and Unutil Energy Systems, Inc.
Docket No. IR 14-338

Dear Ms. Howland:

Enclosed please find an original and six copies of NEPM's Reply Comments Regarding
Changes in Default Service Procurement for filing in the above-referenced matter.

Please feel free to contact me with any questions. Thank you for your assistance.

Very truly yours,



Susan S. Geiger

SSG/jll
Enclosures
cc: Service List
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THE STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

IR 14-338

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.,
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND
UNITIL ENERGY SYSTEMS, INC.**

Review of Default Service Procurement Processes for Electric Distribution Utilities

**NEPM'S REPLY COMMENTS
REGARDING CHANGES IN
DEFAULT SERVICE PROCUREMENT**

NextEra Power Marketing, LLC ("NEPM") respectfully submits the following reply comments regarding changes to default service procurement processes currently employed by Liberty Utilities Corp. ("Liberty"), Public Service Company of New Hampshire ("PSNH") and Unitil Energy Systems, Inc. ("UES" or "Unitil").

Background/Procedural History

In its Order of Notice issued November 24, 2014 in this docket, the Commission directed its Staff to hold an initial discussion with stakeholders on January 14, 2015 and identified the following issues raised by the docket: relative advantages and disadvantages of the current methods of procuring default energy service by UES, Liberty and PSNH; whether other means of providing default service are consistent with the restructuring principles of RSA 374-F, including potential effects of New Hampshire's retail electricity market; whether price stability should be an option offered by electric distribution utilities as part of default service or otherwise; and whether

changes should be made to default service procurement methods to minimize cost shifting between long- and short-term customers of default service.

At the January 14, 2015 work session, a procedural schedule was developed calling for the filing of written submissions on or before February 11, 2015 and scheduling a technical session for February 24, 2014. Following the January 14, 2015 work session, Commission Staff circulated a list of issues to be discussed in the February 11, 2015 filings. Parties have submitted written comments on the issues identified on Staff's list, and the utilities have filed written descriptions of how they currently procure default service supply for their customers. On February 23, 2015, Staff notified the parties via electronic mail that the technical session scheduled for February 24th was canceled and that parties would have until March 5, 2015 to file responses to others' proposals. NEPM submits these reply comments pursuant to Staff's directive.

Flexibility

Although NEPM believes that New Hampshire utilities should be afforded some limited measure of flexibility to deal with unforeseen circumstances or unusual market conditions, NEPM agrees with Constellation that the Commission should not abandon full requirements, load following default service procurements in favor of having utilities engage in active portfolio management/unilateral market purchases. NEPM believes that the utilities should be actively engaged in facilitating a robust, competitive RFP process and the competitive procurement process should be maintained for as long as possible. NEPM suggests that if there are insufficient responses to a particular RFP for default service, the utilities should solicit bids each subsequent week until the term is filled or it is no longer feasible to pursue additional bids. NEPM has outlined its reasons for this

position in its December 15, 2014 letter filed in Docket No. DE 14-211, which is incorporated herein by reference.

Contract Length

Generally, NEPM prefers shorter contract length coupled with a higher frequency of auctions, especially for larger customer classes. The existing 6 month residential term carries large enough volume to incent competition to serve this default service load. Longer contract terms create more migration risks that bidders typically address through increased risk premiums which, in turn, increase retail default service rates. In addition, longer contracts could result in fewer competitive bids. Therefore, NEPM does not advocate for increasing the term of the current default service procurements.

Collective Bidding/Block Bundling

NEPM believes that the current arrangement by which each utility solicits blocks of power to serve its own default service load appears to be working. Therefore, NEPM does not advocate a shift to collective bidding or block bundling.

Use of Ladders

NEPM takes no position on this issue at this time, but believes the issue of ladders must be carefully examined. NEPM notes that Unitil had previously used ladders in New Hampshire but now makes a single solicitation for default service for a given period. Thus, it is not clear that reverting back to the ladder approach would be beneficial.

Differential treatment of residential, small C&I and large C&I

NEPM supports treating the large C&I customer class differently than residential and small C&I customer classes insofar as the contract term/length is concerned, with the

caveat that all customer class solicitations should provide for a fully competitive procurement process.

Timing constraints

Because market prices can change by several dollars in just a few hours, wholesale participants account for this risk by including a premium in their bids. Thus, more timely notification of a contract award, i.e., within an hour or less, and concomitant assurance of regulatory approval of a winning bid may reduce the risk premiums embedded in pricing, and could ultimately reduce the rate charged to customers. NEPM suggests that having Commission Staff involved in observing the bid selection process and making a concurrent recommendation to the Commission for approval of the winning contract could assist in reducing the risk premiums described above.

Cost/benefits of state based procurement management

NEPM believes that New Hampshire's utilities have the requisite experience and systems to successfully perform this function, and sees no reason for the Commission to be involved with default service solicitations other than to provide review of winning contracts as soon as possible to address the risk premium issue discussed above.

Risk Premium Mitigation

To help mitigate the costs associated with risk premiums, the utilities should implement Change-In-Law ("CIL") provisions in the wholesale default supplier agreements. This step may significantly reduce prices to default service customers because it will remove unnecessary risk premiums associated with regulatory uncertainty. With CIL, customers will only pay the actual cost of an event if/when a regulatory event, like "Winter Reliability" occurs. This mitigates supplier risk because such costs are

quantifiable and passed through to the customer- as opposed to wholesalers being required to assume costs and potentially increase risk premiums that may overestimate those costs for bidding and pricing purposes.

NEPM generally agrees with the statement that smaller, segmented tranches typically increase competition and improve end prices, as more bidders can step into smaller pieces within an auction. However, given that these loads are already small in size, NEPM sees little, if any, benefit in further reducing size via the introduction of tranches.

NEPM appreciates the opportunity to submit these reply comments.

Respectfully submitted,

NextEra Energy Power Marketing, LLC
By Its Attorneys



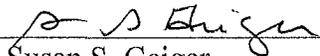
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Dated: March 5, 2015

Certificate of Service

I hereby certify that a copy of this document has on this 5th day of March, 2015 been sent by electronic mail to the service list in this docket.

By: 
Susan S. Geiger