

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-010

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a
LIBERTY UTILITIES**

Request for Approval of Energy Supply Solicitation and Resulting Rates

Order Approving Petition

ORDER NO. 25,819

September 28, 2015

APPEARANCES: R. J. Richie, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, the Office of the Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves Liberty's solicitation of energy supply for its large and small customer groups. The Commission authorizes Liberty to recover the costs of this supply through an energy service rate of 9.221 cents per kWh for its residential and small commercial customer group. As a result, residential and small commercial customers will experience an overall increase in their average monthly bills ranging between 9.6% and 18.5% depending on customer class and usage. For example, a residential customer whose overall monthly bill is currently \$111.00 will see an increase to \$124.00. This represents an overall 11.3% increase, from rates effective in the summer period, for such a customer. The large customer group will experience an increase in monthly bills ranging from 16% to 21.9%. Rate increases will begin November 1, 2015.

I. PROCEDURAL HISTORY

On September 21, 2015, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty) filed a petition requesting approval of its solicitation and procurement of

default energy service for 100% of power supply requirements for the nine-month period November 1, 2015 through July 31, 2016. The solicitation requested power supply for Liberty's large and medium commercial and industrial customers (Large Customer Group),¹ and its small commercial and residential customers (Small Customer Group).² Liberty filed the petition pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (Jan. 13, 2006), as modified by Order No. 24,922 (Dec. 19, 2008), Order No. 25,601 (Nov. 27, 2013), and Order No. 25,806 (Sept. 2, 2015) (Settlement Agreement).

Consistent with Order No. 25,806, Liberty plans to shift service periods from two consecutive six-month periods that begin May 1 and November 1, to two six-month periods that begin February 1 and August 1. *See* Order No. 25,806. The purpose of the change is to include one of the two high-priced winter months in each six-month period to smooth rates for residential customers. To implement this change, Liberty issued an RFP for energy supply for a nine-month period, ending July 31, 2016, to transition to the new default service schedule. Beginning with the August 1, 2016, energy service period, Liberty will seek two consecutive three-month power supply blocks for its Large Customer Group and one six-month supply block for its Small Customer Group. The Company will make a similar solicitation each year for the six-month period beginning February 1.

In support of its filing, Liberty filed the testimony of John D. Warshaw and Heather M. Tebbetts. Mr. Warshaw is employed as Manager, Electric Supply, by Liberty Energy Utilities (New Hampshire) Corp. (Liberty Energy NH), the entity that provides service to Liberty. Ms. Tebbetts is a utility analyst also employed by Liberty Energy NH.

¹ The Large Customer Group is comprised of customers taking service under General Long-Hour Service Rate G-2, or General Time-of-Use Rate G-1, under the Company's Retail Delivery Tariff.

² The Small Customer Group is comprised of customers taking service under Domestic Service Rate D, Domestic Service-Optional Peak Load Pricing Rate D-10, Outdoor Lighting Service Rate M, Limited Total Electrical Living Rate T, General Service Rate G-3, or Limited Commercial Space Heating Rate V, under the Company's Retail Delivery Tariff.

On August 21, 2015, Liberty filed its energy service reconciliation for the period February 1 to October 31, 2015. Liberty included the testimony of Ms. Tebbetts, related exhibits, and a quarterly customer migration report. The August 21st filing provided the result of the reconciliation of (1) energy service power supply expense and applicable revenue for the February through October period, (2) costs and revenues associated with compliance with the New Hampshire Renewable Portfolio Standard (RPS) requirements, and (3) administrative costs and associated revenues incurred in connection with providing energy service for the period. Liberty's filing also proposed an adjustment to the RPS adder that the Company uses to procure compliance with New Hampshire's RPS law.

Liberty's filing contained confidential information, including the Company's transaction confirmations and master power agreements with the winning suppliers, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested confidential treatment of the information. The Commission granted Liberty's request for confidential treatment at hearing.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

1. RFP Process

Liberty said it conducted its solicitation process consistent with the terms of the Settlement Agreement. Liberty issued a request for proposals (RFP) on August 17, 2015, to approximately 25 potential suppliers. In addition, Liberty distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its website. The RFP requested fixed pricing for each month of service on an as-delivered energy basis.

Liberty received indicative proposals on September 8, 2015, and final proposals one week later. Liberty evaluated the bids received and selected three suppliers, each of which

(1) provided a bid that was conforming to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed Liberty's qualitative evaluation. On September 15, 2015, Liberty entered into a wholesale Transaction Confirmation with NextEra Energy Power Marketing, LLC (NextEra), as the winning bidder for the Large Customer Group for the period November 1, 2015, through April 30, 2016. Liberty selected Dominion Energy Marketing, Inc. (Dominion), as the winning bidder for the three-month Large Customer Group for the period May 1 through July 31, 2016. Finally, Liberty selected TransCanada Power Marketing, LTD (TCPM), to provide energy service to the Small Customer Group for the entire nine-month period.

The Commission approved the NextEra Master Power Agreement, the Dominion Master Power Agreement, and the TCPM Master Power Agreement in prior energy service proceedings involving Liberty. *See* Order No. 24,787 (Sept. 21, 2007), Order No. 24,953 (March 23, 2009), Order No. 24,953 (March 23, 2009). Liberty provided the transaction confirmations associated with the Master Power Agreements and the current solicitation in this filing.

Liberty reported that more bidders provided final prices in this solicitation than did in recent solicitations. Liberty said the prices bid in this solicitation are significantly lower than the prices that were bid at the same time last year. According to the Company's analysis, the weighted average commodity cost for the nine-month period beginning November 1, 2015, is 8.056 cents per kWh for the small customer group, compared to the weighted average commodity cost of 14.545 cents per kWh for the six-month period beginning November 1, 2014. Liberty testified that this change shows that the commodity costs of energy for this coming winter period are 44.5% less than the commodity costs in effect for last year's winter period.

2. RPS Adder

Under the Settlement Agreement, Liberty includes an RPS adder in its calculation of the energy service rate and requests approval of that adder. Liberty said that, for compliance year 2016, the Company is obligated to either purchase renewable energy certificates (RECs),³ or make alternative compliance payments (ACPs), equal to 16.7% of retail sales. This is an increase from the 2015 obligation of 8.3%.

The Company attributed the increase in the RPS adder to the fact that the Class III (existing biomass) REC requirement will increase from .05% in 2015 to 8.0% in 2016. Liberty calculated an RPS compliance adder of 0.756 cents per kWh to be effective January 1, 2016, an increase from the 2015 RPS compliance adder of 0.358 cents per kWh. Liberty expects to pay \$45.00 for 2016 Class III RECs, which is slightly less than the Class III ACP of \$45.62.

Liberty asked bidders responding to the RFPs for energy supply to also provide a separate RPS compliance adder with their bids. *See* Order No. 24,922 (Dec. 19, 2008). Liberty said that one bidder submitted a proposed RPS compliance adder, but the bidder was not the lowest cost supply. Because none of the winning bidders submitted an RPS compliance adder, Liberty testified that it will solicit bids for RECs. If the Company cannot procure an adequate number of RECs, it will make ACPs to comply with its 2015 and 2016 RPS obligations.

3. Retail Rates

Liberty testified that, for both customer groups, it calculates the base energy rate by multiplying the commodity cost at the wholesale level (\$ per megawatt hour) by the applicable loss factor, and then dividing the results by ten. Once the base rate is calculated, Liberty adjusts the rate by including the RPS adder, and the factors that reconcile any over- or under-recoveries. With the inclusion of the RPS adder and reconciliation factors, Liberty calculated an energy

³ Each REC equals one megawatt of renewable energy.

service rate of 9.221 cents per kWh for the Small Customer Group for the nine-month period beginning November 1, 2015, and ending July 31, 2016. The result for an average residential customer using 655 kWh per month is an 11.3% increase in monthly bills, based on currently effective rates, from \$111.83 to \$124.52. Other customers in the Small Customer Group will experience monthly bill increases ranging from 9.6% to 18.5%, depending on rate class and monthly usage.

For the Large Customer Group, Liberty develops base energy service rates that vary by month. Liberty then adjusts those rates, using the reconciliation factors and RPS adders, to calculate a total energy service rate for each month in the energy service period. As a result of those calculations, Liberty derived the following monthly rates for customers in the Large Customer Group.

November 2015	7.770 cents per kWh
December 2015	9.593 cents per kWh
January 2016	12.037 cents per kWh
February 2016	11.824 cents per kWh
March 2016	9.075 cents per kWh
April 2016	6.941 cents per kWh
May 2016	6.122 cents per kWh
June 2016	5.541 cents per kWh
July 2016	6.020 cents per kWh

The result for customers in the Large Customer Group is monthly bill increases ranging from 16% to 21.9%, depending on rate class and monthly usage.

B. Office of Consumer Advocate

The OCA said it was pleased that the Company had split the winter months, thus smoothing the rate for residential customers. The OCA stated support for the Company's filing.

C. Staff

Staff said it had reviewed the filing and determined that the Company had conducted the solicitation, bid evaluation, and selection of winning bidders according to the requirements of Commission Orders. Staff concluded that the resulting rates are market-based, and recommended that the Commission approve the filing.

III. COMMISSION ANALYSIS

We find that Liberty complied with the procedures approved in the Settlement Agreement regarding its analysis of the bids and its selection of the winning bidders. We are also satisfied that Liberty took appropriate steps to solicit multiple potential suppliers in order to receive competitive bid responses. We find that the results are consistent with the requirements of RSA 374-F:3, V(c), that default service be procured through the competitive market, and that the resulting rates are just and reasonable as required by RSA 378:5 and 378:7.

We further find that Liberty's evaluation of the bids and its selection of suppliers were reasonable and appropriate. Liberty's testimony and its bid evaluation report indicate that bid prices reflect expected market conditions for the time periods in question.

Liberty submitted certain confidential information pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06, and 201.07. The information for which Liberty sought confidential treatment included the Company's transaction confirmations with the winning suppliers, bid evaluations and summaries, RPS compliance pricing, and retail meter commodity cost calculations. After reviewing the redacted material, we found at the hearing that the category of information for which Liberty sought confidential treatment was information routinely submitted and granted confidential treatment in connection with default service proceedings, as defined in Puc 201.06(a)(30). The redacted information shall be accorded confidential treatment subject to the provisions of Puc 201.07, provided that the wholesale power costs contained in Liberty's

filing shall be treated as confidential only until such time as the costs are made public through the operation of FERC rules.

We also approve the results of the reconciliation filing and Liberty's proposal to increase the RPS compliance adder effective with services rendered on and after January 1, 2016.

Based upon the foregoing, it is hereby


ORDERED, that the Master Power Agreement Transaction entered into between NextEra Energy Power Marketing, LLC, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for default service power supply for the Large Customer Group for two, three-month blocks of power beginning November 1, 2015, and the resulting default energy service rates, are hereby APPROVED; and it is

FURTHER ORDERED, that the Master Power Agreement Transaction entered into between Dominion Energy Marketing, Inc., and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, for default service power supply for the Large Customer Group for the three-month block of power beginning May 1, 2016, and the resulting default energy service rates, are hereby APPROVED; and it is


FURTHER ORDERED, that the Master Power Agreement Transaction entered into between TransCanada Power Marketing, LTD, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, for default service power supply for the Small Customer Group for the nine-month block of power beginning November 1, 2015, and the resulting default energy service rates, are hereby APPROVED; and it is

FURTHER ORDERED, that Liberty shall file conforming tariffs within 30 days of the date of this Order, consistent with N.H. Code Admin. Rules Puc 1603.02.

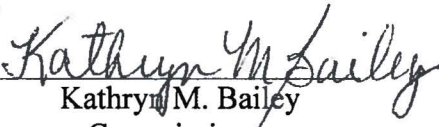
By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of
September, 2015.



Martin P. Honigberg
Chairman

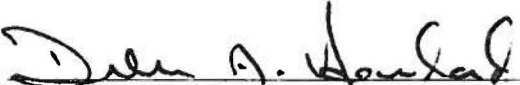


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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