

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

Docket No. DE 18-041

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period February 1, 2019 – July 31, 2019

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

December 10, 2018

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1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is John D. Warshaw, and my business address is 15 Buttrick Road,
4 Londonderry, New Hampshire.

5 **Q. Please state your position.**

6 A. I am the Manager of Electric Supply for Liberty Utilities Service Corp. (“Liberty”),
7 which provides services to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
8 Utilities (“Granite State,” “Liberty Utilities,” or “the Company”). I oversee the
9 procurement of power for Energy Service for Granite State as well as the procurement of
10 Renewable Energy Certificates (“RECs”).

11 **Q. Please describe your educational background and training.**

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

16 **Q. What is your professional background?**

17 A. In November 2011, I joined Liberty as Manager, Electric Supply for Granite State. Prior
18 to my employment at Liberty, I was employed by National Grid USA Service Company
19 (“National Grid”) as a Principal Analyst in Energy Supply – New England from 2000 to
20 2010. In that position I conducted a number of solicitations for wholesale power to meet
21 the needs of National Grid’s New England distribution companies. I also administered

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

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

9 A. Yes. I most recently testified before the Commission in Docket No. DE 18-041, Granite
10 State's Default Service Retail Rates hearing, on June 21, 2018.

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

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

15 **II. Purpose of Testimony**

16 **Q. Mr. Warshaw, what is the purpose of your testimony?**

17 A. The purpose of my testimony is to support the Company's request for Commission
18 approval of Liberty Utilities' proposed Energy Service rates for both (i) the Large and
19 Medium Commercial and Industrial Customer Group ("Large Customer Group"¹), and

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

1 (ii) the Residential and Small Commercial Customer Group (“Small Customer Group”²)
2 for the six-month period February 1, 2019, through July 31, 2019. My testimony will
3 describe the process used by Liberty Utilities to procure Energy Service for both the
4 Large and Small Customer Groups, the proposed Energy Service rates, how the Company
5 proposes to meet its 2019 Renewable Portfolio Standard (“RPS”) obligations, and the
6 resulting Renewable Portfolio Standard Adder for service rendered on and after February
7 1, 2019.

8 **Q. Please provide the list of schedules attached to your testimony.**

- 9 A. Schedule JDW-1 Energy Service RFP February 1, 2019, through July 31, 2019
10 Schedule JDW-2 Energy Service Procurement Summary
11 Schedule JDW-3 Comparison of Change in Futures Prices to Change in Procurement
12 Costs
13 Schedule JDW-4 Energy Service Contract for the Large Customer Group February
14 1, 2019 through April 30, 2019, and for the Small Customer Group
15 February 1, 2019 through July 31, 2019, with Calpine Energy
16 Services, LP
17 Schedule JDW-5 Energy Service Contract for the Large Customer Group May 1,
18 2019, through July 31, 2019, with DTE Energy Trading, Inc.
19 Schedule JDW-6 Summary of May 1, 2018, RPS Solicitation

20 **III. Energy Service Bidding Process**

21 **Q. Mr. Warshaw, why does Liberty Utilities need to procure Energy Service for both**
22 **the Large and Small Customer Groups for the period beginning February 1, 2019?**

23 A. Pursuant to the procurement process approved by the Commission, which I describe later
24 in my testimony, Liberty Utilities procures power supply through contracts having a

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 of the Company’s Retail Delivery Tariff.

1 three-month term for the Large Customer Group and a six-month term for the Small
2 Customer Group. Liberty Utilities' currently effective Energy Service supply contracts
3 for both the Large and Small Customer Groups expire on January 31, 2019. Therefore, to
4 assure that Energy Service will continue to be available, Liberty Utilities requires new
5 Energy Service supply arrangements beginning February 1, 2019.

6 **Q. Please describe the process Liberty Utilities used to procure its Energy Service**
7 **supply for the six-month period beginning February 1, 2019.**

8 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with
9 applicable law and Commission directives. The Company complied with the solicitation,
10 bid evaluation, and procurement process set forth in the Settlement Agreement dated
11 November 18, 2005, which agreement was approved by the Commission in Order No.
12 24,577 (Jan. 13, 2006) in Docket No. DE 05-126, amended by Order No. 24,922 (Dec.
13 19, 2008) in Docket No. DE 08-011, amended by Order No. 25,601 (Nov. 27, 2013) in
14 Docket No. DE 13-018, and further amended by Order No. 25,806 (Sept. 2, 2015) in
15 Docket No. DE 15-010 (as amended through these subsequent orders, the "Settlement
16 Agreement"). On November 1, 2018, Liberty Utilities issued a request for proposals
17 ("RFP") for certain power supply services and sought suppliers for Liberty Utilities'
18 Energy Service covering both the Large and Small Customer Groups.

19 **Q. Was the Company's solicitation for the period beginning February 1, 2019,**
20 **consistent with the Commission approved process for Energy Service?**

21 A. Yes, Liberty Utilities' Energy Service RFP was conducted consistent with the Settlement
22 Agreement.

1 **Q. Could you describe the nature of the RFP that Liberty Utilities issued?**

2 A. On November 1, 2018, Liberty Utilities issued a RFP to approximately twenty-five
3 potential suppliers soliciting power for the period February 1, 2019, through July 31,
4 2019. Liberty Utilities also distributed the RFP to all members of the New England
5 Power Pool (“NEPOOL”) Markets Committee and posted the RFP on Liberty Utilities’
6 energy supply website. As a result, the RFP had wide distribution throughout the New
7 England energy supply marketplace. The RFP requested fixed pricing for each month of
8 service on an as-delivered energy basis. Prices could vary by month and by service, that
9 is, the prices did not have to be uniform across the entire service period or between the
10 three load blocks. A copy of the RFP is provided as Schedule JDW-1.

11 **Q. Was Liberty Utilities required to issue an RFP for the purchase of energy from
12 certain biomass plants to be in compliance with Senate Bill 365??**

13 A. No. Liberty Utilities is not required to issue an RFP to be in compliance with Senate Bill
14 365. Senate Bill 365 requires utilities to offer to purchase “net energy output of any
15 eligible facility located in its service territory.” None of the eligible facilities defined in
16 Senate Bill 365 are located in Liberty Utilities’ service territory.

17 **IV. Results of Energy Service Bidding**

18 **Q. Mr. Warshaw, did Liberty Utilities receive responses to the RFP?**

19 A. Yes. Indicative proposals were received on November 27, 2018. Final proposals were
20 received on December 4, 2018. None of the bidders made their provision of Liberty
21 Utilities’ Energy Service contingent upon the provision of any other service.

1 **Q. Was participation in this RFP similar to past RFPs?**

2 A. Yes, participation was similar to past solicitations.

3 **Q. How do the current futures prices for electricity and natural gas compare to the**
4 **futures prices at the time of the Company's previous two solicitations?**

5 A. The futures market prices for electricity and natural gas at the time of receiving final bids
6 for the November 1, 2017, and May 1, 2018, solicitations as well as current futures
7 market prices are shown in Schedule JDW-3. These are the most recent solicitations for
8 the Small Customer Group. As shown, current electric wholesale and natural gas prices
9 are higher when compared to the November 1, 2017, and May 1, 2018, solicitations when
10 final bids were received. The current purchase price is similarly higher when compared
11 to the November 1, 2017, and May 1, 2018, solicitations for the same service period.

12 **Q. Did Liberty Utilities select any of the proposals received in response to the RFP?**

13 A. Yes. Liberty Utilities evaluated the bids received and selected the supplier that: (i)
14 provided a bid that was conforming to the RFP; (ii) had the lowest price; (iii) met the
15 credit requirements described in the RFP; and (iv) passed our qualitative evaluation. On
16 December 4, 2018, Liberty Utilities entered into a wholesale Transaction Confirmation
17 with Calpine Energy Services, L.P ("Calpine"), the winning bidder to provide Energy
18 Service to the Large Customer Group for the three-month period February 1, 2019,
19 through April 30, 2019, and for the Small Customer Group for the six-month period
20 February 1, 2019, through July 31, 2019. Together, a Transaction Confirmation and a
21 Master Power Agreement provide the terms for the purchase of Energy Service from a
22 supplier. A copy of the Transaction Confirmation between Calpine and Liberty Utilities

1 with certain confidential sections redacted, is attached hereto as Schedule JDW-4. A
2 copy of the Calpine Master Power Agreement was filed with the Commission on
3 September 17, 2007, in Docket No. DE 07-012 (Energy Service proceeding), and the
4 First Amendment to that Master Power Agreement was filed with the Commission on
5 December 12, 2016, in Docket No. DE 16-249 (Energy Service proceeding).

6 Also on December 4, 2018, Liberty Utilities entered into a wholesale Transaction
7 Confirmation with DTE Energy Trading, Inc. (“DTE”), the winning bidder to provide
8 Energy Service to the Large Customer Group for the three-month period May 1, 2019,
9 through July 31, 2019. A copy of the Transaction Confirmation between DTE and
10 Liberty Utilities with certain confidential sections redacted, is attached hereto as
11 Schedule JDW-5. A copy of the DTE Master Power Agreement was filed with the
12 Commission on December 14, 2009, in Docket No. DE 09-010 (Energy Service
13 proceeding).

14 **V. Renewable Portfolio Standard**

15 **Q. Mr. Warshaw, what are the RPS obligations for 2019?**

16 A. As specified in the RPS law, RSA 362-F, a provider of electricity must obtain and retire
17 certificates sufficient in number and class type to meet the following minimum
18 percentages of total megawatt-hours of electricity supplied by the provider to its
19 customers that year:

1

NH-RPS Classes	2019
RPS Class I	8.2%
RPS Class I Thermal	1.4%
RPS Class II	0.6%
RPS Class III	8.0%
RPS Class IV	1.5%
Total	19.7%

2 **Q. How does Liberty Utilities expect to satisfy its RPS obligations consistent with the**
3 **RPS rules as promulgated by the Commission?**

4 A. On February 18, 2009, Liberty Utilities entered into an amended settlement agreement
5 with the Commission Staff and the Office of Consumer Advocate intended to resolve all
6 issues associated with the process by which Liberty Utilities would comply with the
7 requirements of the RPS law and the PUC 2500 rules (“Amended RPS Settlement”). The
8 Amended RPS Settlement was approved by the Commission in Order No. 24,953 (March
9 23, 2009) in Docket No. DE 09-010. The Company may satisfy RPS obligations by
10 providing either RECs for each RPS class from the New England Power Pool Generation
11 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance
12 Payment (“ACP”) to the State of New Hampshire’s Renewable Energy Fund. As
13 specified in the Amended RPS Settlement, Liberty Utilities requested bidders to provide
14 a separate RPS Compliance Adder with their bids. This RPS Compliance Adder is the
15 incremental charge by a bidder for agreeing to take on the RPS obligation with the
16 Energy Service obligation.

1 **Q. If a winning bidder's RPS Compliance Adder is accepted, how would the bidder**
2 **satisfy the RPS obligation?**

3 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
4 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
5 class obligation to the Company's NEPOOL-GIS account, or it must pay the Company
6 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
7 multiplying the RPS obligation percentage for each REC class by the electricity sales for
8 the term of the transaction.

9 **Q. What were the criteria Liberty Utilities used to evaluate any RPS Compliance**
10 **Adder which may have been provided by a bidder?**

11 A. Liberty Utilities compared the adder provided by a bidder to the prices it received in its
12 November 1, 2018, RPS solicitation.

13 **Q. Did Liberty Utilities accept an RPS Compliance Adder provided by a bidder?**

14 A. No. Neither of the winning Energy Service bidders submitted an RPS Compliance Adder
15 that was less than the adder based on the most recent RPS solicitation.

16 **Q. Is Liberty Utilities proposing any changes to the Renewable Portfolio Standard**
17 **Adder at this time?**

18 A. Yes. Liberty Utilities is proposing to change the Commission-approved Renewable
19 Portfolio Standard Adder to reflect the results of its recent RPS solicitations to meet the
20 2019 RPS obligation.

1 Liberty Utilities issued a request for proposals on November 1, 2018, for the acquisition
2 of New Hampshire RPS compliant RECs to meet its 2018 and 2019 obligations. The
3 results of Liberty Utilities' November 1, 2018, solicitation are included in Schedule
4 JDW-2, Exhibit 10. At this time, Liberty Utilities has completed its analysis of the bids
5 but has not started contract negotiations with the bidders. Liberty Utilities will notify the
6 winning bidders by December 31, 2018, and will provide an update in the next Energy
7 Service filing scheduled for June 2019. Liberty Utilities proposes to use a combination
8 of the bid prices for RPS classes for which it received bids in its November 1, 2018, RPS
9 solicitation for the RPS Adder.

10 **Q. How did Liberty Utilities calculate the Renewable Portfolio Standard Adder?**

11 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used the prices it received in
12 its November 1, 2018, RPS solicitation. The retail RPS costs were calculated on a per
13 megawatt-hour (MWh) basis. The Company divided the calculated retail RPS costs by
14 ten in order to convert the units from dollars per MWh to a cents per kilowatt-hour (kWh)
15 rate to determine the Renewable Portfolio Standard Adder.

16 **Q. What happens if Liberty Utilities' actual RPS compliance costs are different from
17 those used in calculating the Renewable Portfolio Standard Adder?**

18 A. Liberty Utilities reconciles its costs of RPS compliance with the revenue billed to
19 customers from the Renewable Portfolio Standard Adder. This reconciliation occurs as
20 part of the annual Energy Service reconciliation. The next annual Energy Service
21 reconciliation filing will occur in June 2019.

1 **Q. Has Liberty Utilities been able to contract for RECs?**

2 A. Yes. In July 2018, Liberty Utilities was able to contract for Class I, III, and Class IV
3 RECs to help meet a portion of its 2018 RPS obligations. A summary of the results of
4 Liberty Utilities' May 1, 2018, RPS solicitation is included in Schedule JDW-6.

5 **Q. When will Liberty Utilities issue the next REC request for proposals?**

6 A. Liberty Utilities plans to issue an RPS solicitation in May 2019 to procure RECs to
7 satisfy the remaining 2019 RPS obligations. Through that solicitation, Liberty Utilities
8 will attempt to procure the quantity of RECs necessary to satisfy the remaining 2019
9 obligations for load that will be serviced under Energy Service supply contracts.

10 **VI. Energy Service Commodity Costs**

11 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**
12 **Liberty Utilities' expected procurement cost used to develop the proposed retail**
13 **rates.**

14 A. The load-weighted average of the power supply costs for the Large Customer Group for
15 February 1, 2019, through July 31, 2019, is 8.827¢ per kWh compared to the load-
16 weighted average of 8.556¢ per kWh for the period August 1, 2018, through January 31,
17 2019. The load-weighted average of the power supply costs for the Small Customer
18 Group for February 1, 2019, through July 31, 2019, is 9.103¢ per kWh compared to the
19 load-weighted average of 8.913¢ per kWh for the period August 1, 2018, through January
20 31, 2019. The power supply costs at the retail customer meter (¢ per kWh) were
21 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by
22 the applicable loss factor and then dividing the results by ten. The applicable loss factors

1 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated
2 ratio of wholesale purchases to retail deliveries.

3 **Q. How will Liberty Utilities reconcile any difference in costs associated with Energy**
4 **Service?**

5 A. To the extent that the actual cost of procuring Energy Service varies from the amounts
6 billed to customers for the service, Liberty Utilities will reconcile the difference through
7 the reconciliation mechanism pursuant to Liberty Utilities' Energy Service Adjustment
8 Provision contained in its currently effective Retail Delivery Tariff.

9 **VII. CONCLUSION**

10 **Q. Mr. Warshaw, when will Liberty Utilities issue the next RFP for Energy Service?**

11 A. The Large Customer Group rates and the Small Customer Group Rates proposed in this
12 filing will both end on July 31, 2019. Per the terms of the Settlement Agreement, Liberty
13 Utilities will issue a RFP for both groups in May 2019. For purposes of notice to the
14 Commission, the following table illustrates Liberty Utilities' proposed timeline for the
15 next RFP:

RFP Process Steps	May 2019 RFP
RFP Issued	May 1, 2019
Indicative Bids Due	June 4, 2019
Final Bids Due	June 11, 2019
Energy Service Filing to Commission	June 17, 2019
Commission Order Needed	June 24, 2019
Service Begins	August 1, 2019

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

2 **A. Yes, it does.**

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