STATE OF NEW HAMPSHIRE BEFORE THE PUBLIC UTILITIES COMMISSION

Docket No. DE 21-087

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Energy Service for the Period February 1, 2022 – July 31, 2022

SUPPLEMENTAL TESTIMONY

OF

JOHN D. WARSHAW

December 21, 2021



1 I. INTRODUCTION AND QUALIFICATIONS

- 2 Q. Mr. Warshaw, please state your full name, business address and position.
- 3 A. My name is John D. Warshaw, and my business address is 15 Buttrick Road,
- 4 Londonderry, New Hampshire. I am the Manager of Electric Supply for Liberty Utilities
- 5 Service Corp. ("LUSC"), which provides services to Liberty Utilities (Granite State
- 6 Electric) Corp. d/b/a Liberty ("Granite State," "Liberty," or "the Company"). I oversee
- 7 the procurement of power for Energy Service for Granite State as well as the procurement
- 8 of Renewable Energy Certificates ("RECs").
- 9 Q. Did you previously submit testimony in this proceeding?
- 10 A. Yes. On December 17, 2021, I submitted testimony that included details about the energy
- service procurement, resulting rates of the procurement and RPS.

12 **II. OVERVIEW**

- 13 Q. What is the purpose of your testimony?
- 14 A. The purpose of this testimony is to explain how Liberty procured the renewable energy
- 15 credits ("RECs") required to meet its 2020 obligations under New Hampshire's
- Renewable Portfolio Standard ("RPS"), RSA 362-F. Specifically, I describe Liberty's
- purchase of Class III RECs, which were complicated by confusion regarding the
- 18 Alternative Compliance Payment ("ACP") amount and Commission changes to the 2020
- 19 Class III obligation that became effective after the Company had already made its
- required purchases. I explain that while these issues created cost increases, those
- increases related to the ACP issue will be absorbed by Liberty and customers will be held
- harmless. Finally, I discuss briefly how the Class III RECs that the Company currently

has on hand after meeting its 2020 RPS obligations, which have been "banked" pursuant to RSA 362-F:7, may impact purchasing decisions for 2021 and beyond and explain that we will make an additional filing in January to propose an approach to resolve any outstanding issues regarding the Class III RECs.

5 Q. Please describe the REC classes.

There are five separate REC classes, which are differentiated by both the age of the 6 A. resource and the technology used to generate energy – and, in so doing, "generate" RECs: 7 Class I RECs are created by most types of renewable generation. Within that class is a 8 9 subset that has its own RPS requirement, Class I Thermal RECs, that includes geothermal, solar-thermal, and other technologies that utilize renewable, thermal energy. 10 11 Class II RECs are created by output from solar generators, Class III RECs are from 12 biomass and methane technologies, and Class IV RECs are from small hydroelectric facilities. See RSA 362-F:4. Detailed descriptions of the classes are available at the 13 Commission's website.1 14

Q. How much of each type of REC did the Company buy?

16 A. The RPS defines how many RECs of each type Liberty must procure each year,
17 expressed as a percentage of its consumption. For 2020, the Company was required to
18 purchase RECs equivalent to 14.7% of its consumption. The composition by class is
19 shown below:²

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 $^{^{1}\,\}underline{https://www.puc.nh.gov/sustainable\%20energy/renewable\ portfolio\ standard\ program.htm}$

 $^{^{2}}$ Id.

Table 1. 2020 RPS Obligations

Class I (non-thermal)	8.9%
Class I (thermal)	1.6%
Class II	0.7%
Class III	2.0%
Class IV	1.5%
Total RPS	14.7%3

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Given the Company's actual retail sales of 445,643.131MWh for 2020, its total REC

4 obligation, inclusive of all classes, was 65,508 RECs.

5 Q. Is there anything unusual about these obligations?

A. Yes, the Class III obligation of 2.0% reflects an adjustment by the Commission in Order

No. 26,472 (Apr. 20, 2021), which reduced the 2020 Class III obligation from 8.0% to

2.0%, a major revision that was implemented after the obligation year. I discuss this

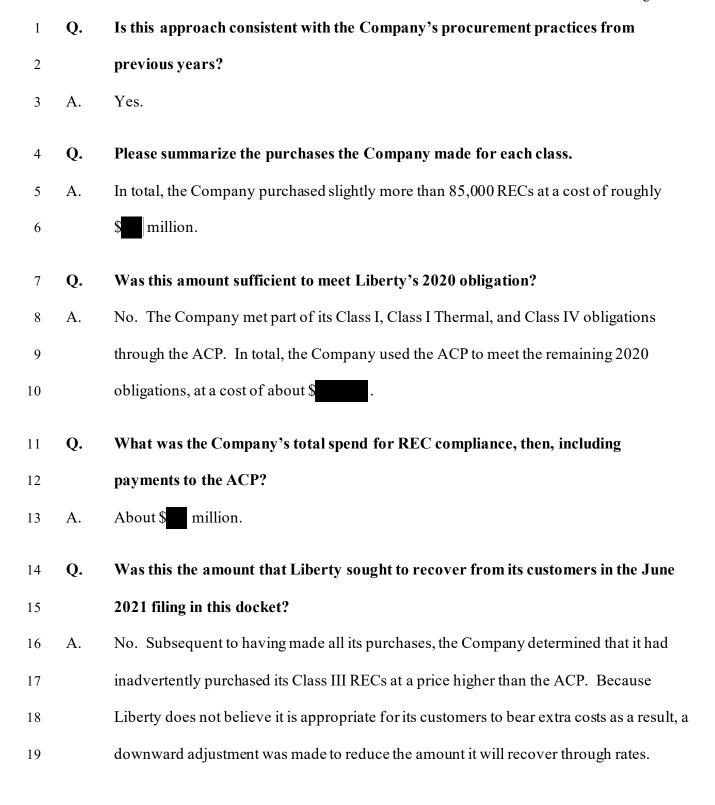
change and its impact later in my testimony.

Q. When did the Company make its purchases to meet its 2020 obligations?

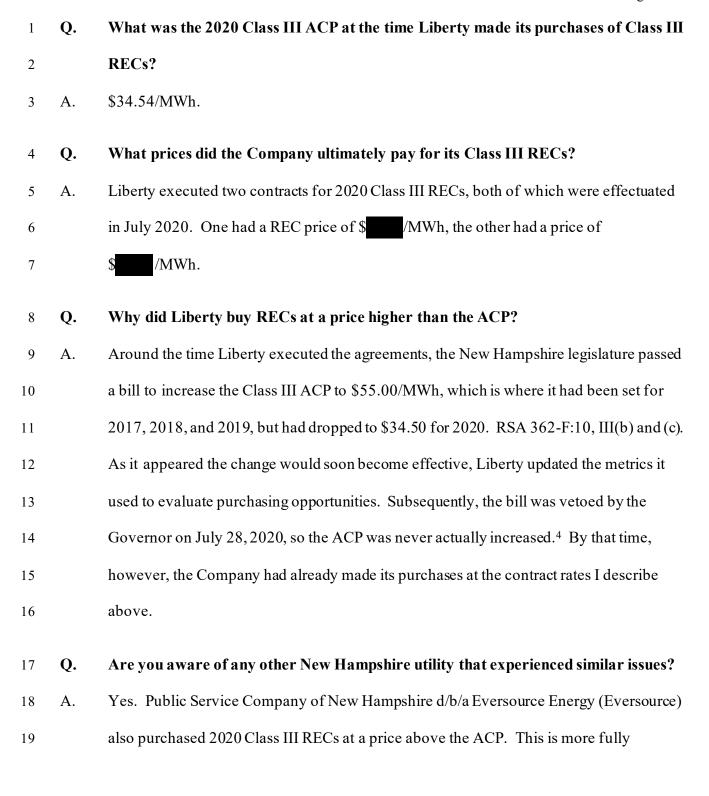
11 A. The majority of RECs that Liberty used to meet its 2020 obligations were contracted for
12 over a roughly eighteen-month period beginning in January 2020 and ending in June
13 2021. Liberty also used excess RECs banked from its 2019 RPS obligation. Purchases
14 were executed via a number of contracts with renewable generators, the majority of
15 which, both in terms of the number of contracts and the volumes and costs transacted,
16 were entered into in July 2020. Notably, those contracts frequently call for delivery of
17 the applicable RECs at a later date.

³ These data were retrieved from the Commission website, which appears to include an arithmetic error that indicates, incorrectly, that the total obligation for 2020 is 20.7%. I believe that amount was the total obligation before the Commission ordered the adjustment to the Class III obligation that I discuss below.

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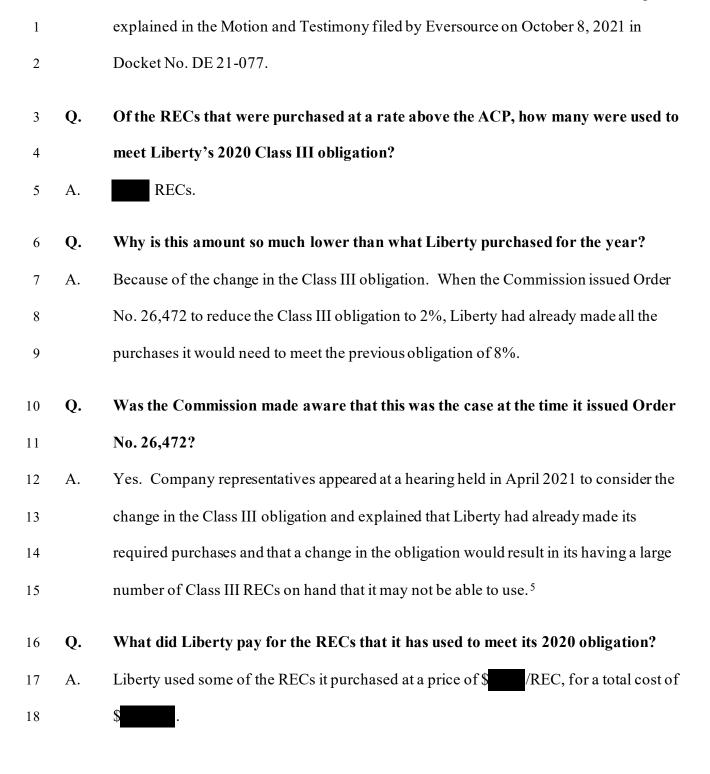


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⁴ https://www.governor.nh.gov/news-and-media/governor-chris-sununu-vetoes-hb-1234

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⁵ Transcript of March 29, 2021, hearing in Docket No. DE 21-037, titled "Adjustment to Renewable Portfolio Standard Class III Requirements," at 35-36.

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1	Q.	How much did Liberty seek to recover from customers for its purchases of Class III
2		RECs for 2020?
3	A.	\$ which is what the RECs needed to meet the Class III obligation for 2020
4		would have cost had Liberty paid the ACP for them instead of buying them from the
5		supplier. The difference, \$, represents the extra costs that were incurred as a
6		result of the confusion regarding the ACP that I describe above.
7	Q.	Will Liberty seek recovery of the \$ at some later time?
8	A.	No.
9	Q.	Is that to say that Liberty's customers have been held harmless from extra costs
10		arising from confusion about the ACP?
11	A.	Yes. If Liberty had rejected the two Class III REC contracts, it would have had to pay
12		the ACP to meet its 2020 Class III obligation. The cost to do so would have been the
13		same amount that the Company sought to recover in this proceeding.
14	Q.	What options exist for the remaining Class III 2020 RECs?
15	A.	Liberty is currently in the process of evaluating options for the remaining Class III RECs
16		it has banked from those two contracts. State law rules allow some of those RECs to be
17		used to meet the Company's 2021 and 2022 obligations. RSA 362-F:7.
18	Q.	Does Liberty intend to provide the Commission with an update on its approach to
19		dispose of the remaining RECs?
20	A.	Yes. While our focus on this proceeding is on the costs that were incurred to serve
21		customers in 2020, we have already begun making purchases on behalf of our customers

How much did Liberty seek to recover from customers for its purchases of Class III

- to meet our various REC obligations for each class for 2021 and beyond and it may be
 possible to meet some of our obligations using the Class III 2020 RECs we currently
 have on hand. In addition, the Company believes that it may be entitled to recover some
 or all of the cost of the Class III 2020 RECs to the extent that those costs were prudently
 incurred before the Class III obligation was changed in April. For these reasons, and
 others, Liberty will provide the Commission a filing in this docket in January that will
 describe how we intend to monetize the value of the RECs we currently have on hand.
- Q. Will that filing also address the possibility of excess costs because of the confusion
 about the ACP that you discussed above?
- 10 A. Yes, it will.
- 11 III. <u>CONCLUSION</u>
- 12 Q. Does this conclude your testimony?
- 13 A. Yes, it does.