

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

Docket No. DE 22-024

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Energy Service for the Period August 1, 2022 – January 31, 2023

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

June 13, 2022



THIS PAGE INTENTIONALLY LEFT BLANK

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. (“LUSC”), which
7 provides services to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
8 (“Granite State,” “Liberty,” or “the Company”). I oversee the procurement of power for
9 Energy Service for Granite State as well as the procurement of Renewable Energy
10 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 LUSC as Manager, Electric Supply for Granite State. Prior
18 to my employment at LUSC, 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 22-018, Granite
10 State’s Annual Retail Rate Adjustment Filing, on April 19, 2022.

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’s proposed Energy Service rates for both (i) the Large and Medium
19 Commercial and Industrial Customer Group (“Large Customer Group”¹), and (ii) the

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 Residential and Small Commercial Customer Group (“Small Customer Group”²) for the
2 six-month period August 1, 2022, through January 31, 2023. My testimony will describe
3 the process used by Liberty to procure Energy Service for both the Large and Small
4 Customer Groups, the proposed Energy Service rates, and how the Company proposes to
5 meet its 2022 Renewable Portfolio Standard (“RPS”) obligations.

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

- 7 A. Schedule JDW-1 Energy Service RFP August 1, 2022, through January 31, 2023
8 Schedule JDW-2 Energy Service Procurement Summary
9 Schedule JDW-3 Comparison of Change in Futures Prices to Change in Procurement
10 Costs
11 Schedule JDW-4 Energy Service Contract for the Large Customer Group and the
12 Small Customer Group August 1, 2022, through January 31, 2023,
13 with NextEra Energy Marketing, LLC
14 Schedule JDW-5 Summary of November 1, 2022, RPS Solicitation
15 Schedule JDW-6 Summary of 2021 & 2022 RPS Positions
16 Schedule JDW-7 Summary of 2021 & 2022 REC Purchase Agreements

17 **III. ENERGY SERVICE BIDDING PROCESS**

18 **Q. Mr. Warshaw, why does Liberty need to procure Energy Service for both the Large
19 and Small Customer Groups for the period beginning August 1, 2022?**

- 20 A. Pursuant to the procurement process approved by the Commission, which I describe later
21 in my testimony, Liberty procures power supply through contracts having a three-month
22 term for the Large Customer Group and a six-month term for the Small Customer Group.
23 Liberty’s currently effective Energy Service supply contracts for both the Large and
24 Small Customer Groups expire on July 31, 2022. Therefore, to assure that Energy

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 Service will continue to be available, Liberty requires new Energy Service supply
2 arrangements beginning August 1, 2022.

3 **Q. Please describe the process Liberty used to procure its Energy Service supply for**
4 **the six-month period beginning August 1, 2022.**

5 A. Liberty conducted its procurement of Energy Service supply consistent with the
6 principles of the electric restructuring statute, RSA 374-F, and previous Commission
7 orders. The Company complied with the solicitation, bid evaluation, and procurement
8 process set forth in the Settlement Agreement dated November 18, 2005, which
9 agreement was approved by the Commission in Order No. 24,577 (Jan. 13, 2006) in
10 Docket No. DE 05-126, amended by Order No. 24,922 (Dec. 19, 2008) in Docket No. DE
11 08-011, amended by Order No. 25,601 (Nov. 27, 2013) in Docket No. DE 13-018, and
12 further amended by Order No. 25,806 (Sept. 2, 2015) in Docket No. DE 15-010 (as
13 amended through these subsequent orders, the "Settlement Agreement"). On May 2,
14 2022, Liberty issued a request for proposals ("RFP") for certain power supply services
15 and sought suppliers for Liberty's Energy Service covering both the Large and Small
16 Customer Groups.

17 **Q. Was the Company's solicitation for the period beginning August 1, 2022, consistent**
18 **with the Commission-approved process for Energy Service?**

19 A. Yes, Liberty's Energy Service RFP was conducted consistent with the Settlement
20 Agreement.

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

2 A. On May 2, 2022, and consistent with past practice, Liberty issued an RFP to a number of
3 potential suppliers soliciting power for the period August 1, 2022, through January 31,
4 2023. Liberty also distributed the RFP to all members of the New England Power Pool
5 (“NEPOOL”) Markets Committee and posted the RFP on Liberty’s energy supply
6 website. As a result, the RFP had wide distribution throughout the New England energy
7 supply marketplace. The RFP requested fixed pricing for each month of service on an as-
8 delivered energy basis. Prices could vary by month and by service; that is, the prices did
9 not have to be uniform across the entire service period or between the three load blocks.
10 A copy of the RFP is provided as Schedule JDW-1.

11 **Q. What is the cost to administer procurement of energy service?**

12 A. For the period of August 2021 through July 2022, the cost of administering procurement
13 of energy service was approximately \$26,214. These costs are broken down by month in
14 Attachment HMT/AMH-6, Page 4.

15 **IV. RESULTS OF ENERGY SERVICE BIDDING**

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

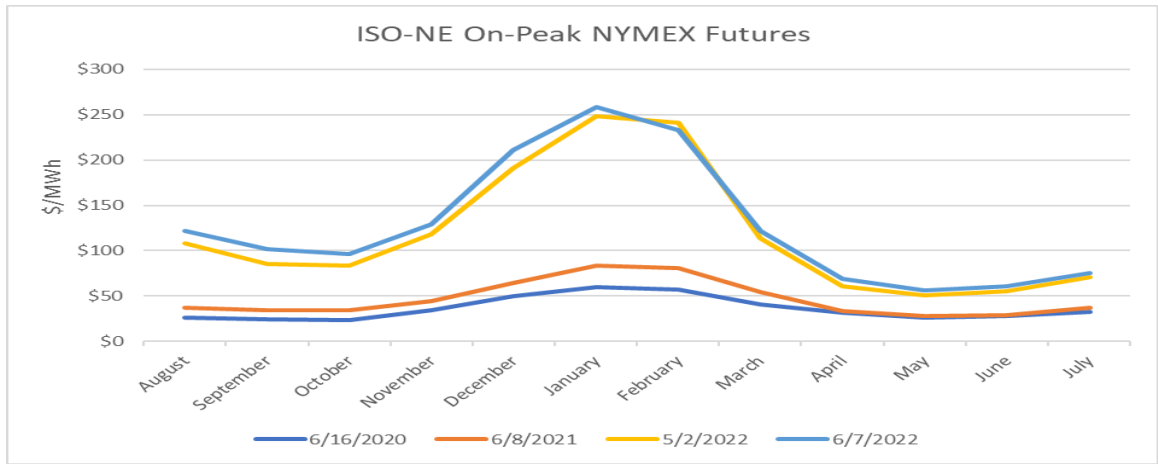
17 A. Yes. Indicative proposals were received on May 31, 2022. Final proposals were
18 received on June 7, 2022. None of the bidders made their provision of Liberty’s Energy
19 Service contingent upon the provision of any other service.

1 **Q. Was participation in this RFP like past solicitations?**

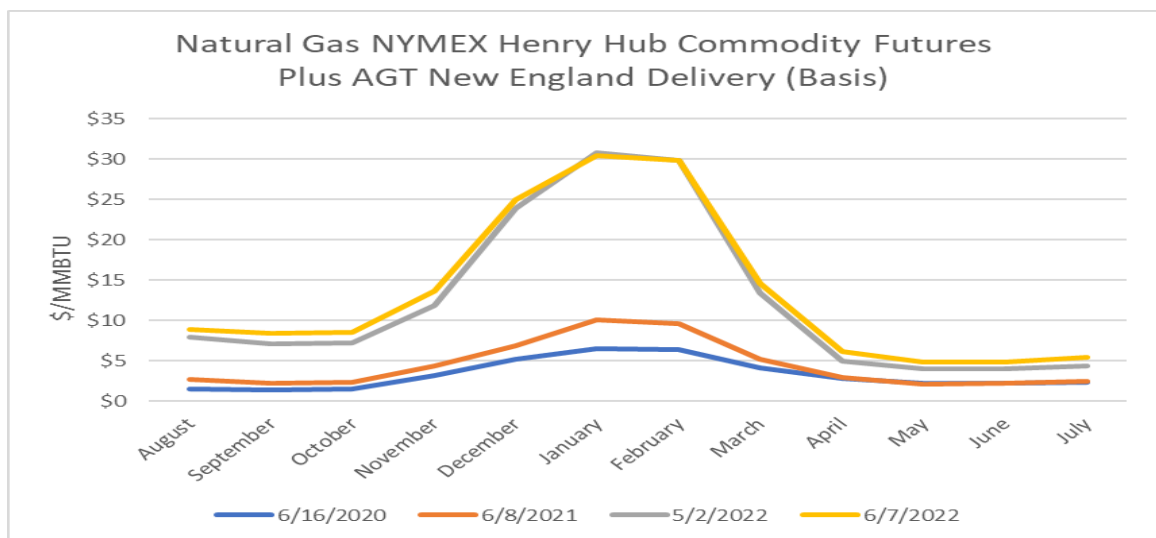
2 A. No. Several bidders elected to not participate in this RFP due to the current volatility in
3 the energy markets.

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

6 A. The futures market prices for electricity and natural gas currently are at record highs and
7 are experiencing significant volatility. Please see the two graphs below:



8



9

1 As shown in these two graphs, the future prices over the last three years at the time of
2 receiving bids for the 12-month period beginning August 1 are significantly higher than
3 in previous RFPs.

4 The futures market prices for electricity and natural gas at the time of receiving final bids
5 for the previous two solicitation periods on June 8, 2021, and December 14, 2021, as well
6 as current futures market prices, are shown in Schedule JDW-3. These are the most
7 recent solicitations for the Small Customer Group. As shown, current electric wholesale
8 and natural gas future prices are significantly higher when compared to when final bids
9 were received on June 8, 2021, and December 14, 2021. Current futures prices have
10 doubled when compared to December 14, 2021, futures prices and are over 200 percent
11 higher when compared to the June 8, 2021 futures prices. As a result, the proposed retail
12 prices for the Small Customer Group are also up similarly.

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

14 A. Yes. Liberty evaluated the bids received and selected the supplier that: (i) provided a bid
15 that was conforming to the RFP; (ii) had the lowest price; (iii) met the credit
16 requirements described in the RFP; and (iv) passed our qualitative evaluation. On June 7,
17 2022, Liberty entered into a wholesale Transaction Confirmation with NextEra Energy
18 Marketing, LLC (NextEra), the winning bidder, to provide Energy Service to both the
19 Large Customer Group and the Small Customer Group for the six-month period August
20 1, 2022, through January 31, 2023. Together, a Transaction Confirmation and a Master
21 Power Agreement provide the terms for the purchase of Energy Service from a supplier.
22 A copy of the Transaction Confirmation between NextEra and Liberty, with certain

1 confidential sections redacted, is attached hereto as Schedule JDW-4. A copy of the
2 NextEra Master Power Agreement was filed with the Commission on September 17,
3 2007, in Docket No. DE 07-012 (Energy Service proceeding), and the First Amendment
4 to that Master Power Agreement was filed with the Commission on September 20, 2010,
5 in Docket No. DE 10-020 (Energy Service proceeding).

6 **Q. Does the Company have a value of the contract with NextEra?**

7 A. The notional value of the transaction with NextEra is \$52.3 million, based on the
8 contracted fixed prices and Liberty's forecast of retail sales for this Energy Service
9 period for the combined large and small customer groups.

10 **V. RENEWABLE PORTFOLIO STANDARD**

11 **Q. Mr. Warshaw, what are the RPS obligations for 2022 and 2023?**

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

NH-RPS Classes	2022	2023
RPS Class I	10.3%	11.0%
RPS Class I Thermal	2.0%	2.2%
RPS Class II	0.7%	0.7%
RPS Class III	8.0%	8.0%
RPS Class IV	1.5%	1.5%
Total	22.5%	23.4%

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

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

15 **Q. If a winning bidder’s RPS Compliance Adder is accepted, how would the bidder**
16 **satisfy the RPS obligation?**

17 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
18 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
19 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company
20 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
21 multiplying the RPS obligation percentage for each REC class by the electricity sales for
22 the term of the transaction.

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

3 A. In Schedule JDW-2, Exhibit 11, Liberty calculated a Renewable Portfolio Standard
4 Adder rate of \$0.00781/kWh based on market prices as of May 2, 2022. Liberty used
5 that RPS Adder to benchmark against RPS bids received from suppliers.

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

7 A. No. The winning Energy Service bidder did not propose an RPS Compliance Adder.

8 **Q. Is Liberty proposing any changes to the Renewable Portfolio Standard Adder at this**
9 **time?**

10 A. Yes. Liberty is proposing to change the Commission-approved Renewable Portfolio
11 Standard Adder to reflect the increase in the RPS obligations and the results of its recent
12 RPS solicitations to meet the 2022 RPS obligations and current market pricing.

13 Liberty issued a request for proposals on May 2, 2022, for the acquisition of New
14 Hampshire RPS compliant RECs to meet its remaining 2021 and forecasted 2022
15 obligations. The results of Liberty's May 2, 2022, solicitation are included in Schedule
16 JDW-2, Exhibit 10. At this time, Liberty has completed its analysis of the bids but has
17 not started contract negotiations with the bidders. Liberty will notify the winning bidders
18 by June 30, 2022, and will provide an update in the next Energy Service filing scheduled
19 for December 2022.

1 As shown in Schedule JDW-2, Exhibit 11, Liberty used the prices it received in response
2 to its May 2, 2022, solicitation, previous RPS solicitations, and current market prices to
3 calculate the RPS Adder at \$0.00781 per kWh.

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

6 A. Liberty reconciles its costs of RPS compliance with the revenue billed to customers from
7 the Renewable Portfolio Standard Adder. This reconciliation occurs as part of the annual
8 Energy Service reconciliation.

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

10 A. Yes. In December 2021, Liberty was able to contract for Class I, Class I Thermal, and
11 Class IV RECs to help meet a portion of its 2021 and 2022 RPS obligations. A summary
12 of the results of Liberty's November 2021 RPS solicitation is included in Schedule JDW-
13 5. Schedule JDW-6 is a summary of Liberty's RPS positions. As shown in Schedule
14 JDW-6, Liberty expects to spend a total of \$2,485,454 to meet its 2021 RPS Obligations.
15 Schedule JDW-7 is a list of the contracts Liberty has executed with RPS REC suppliers
16 for vintage 2021 and 2022 NH RPS compliant RECs.

17 **Q. Why is Liberty forecasting that it will have a surplus of Vintage 2020 Class III**
18 **RECs?**

19 A. At this time Liberty is forecasting that it will have 14,208 vintage 2020 Class III RECs, at
20 a value of \$490,755 based on the 2020 ACP for Class III, that it will be unable to use to
21 meet either the 2021 and 2022 RPS Class III REC obligations due to the Commission's

1 reduction of the 2021 Class III REC requirement in Order No. 26,472 (Apr. 20, 2021),
2 due to the Department of Energy's reduction of the 2022 Class III REC requirement, and
3 due to the 30% limit in using "banked" RECs in a single compliance year as specified in
4 RSA 362-F:7.

5 Specifically, and as more fully described in Liberty's January 31, 2022, filing in Docket
6 No. DE 21-087, Liberty purchased Class III RECs in July 2020 to meet its 2020 Class III
7 obligations. In April 2021, the Commission reduced the 2020 Class III obligation from
8 8% to 2% of 2020 Energy Service retail sales. Subsequently, the NH DOE recently
9 reduced the 2021 Class III obligation from 8% to 1% of 2021 Energy Service retail sales.
10 This resulted in a quantity of vintage 2020 Class III RECs that Liberty will not be able to
11 use to meet its RPS Class III obligations. Liberty will propose to recover the cost of
12 these surplus RECs in the 2023 Energy Service Reconciliation.

13 **Q. What will Liberty do with the Class III RECs purchased over and above the**
14 **requirements?**

15 A. At this time, the Company is banking the unused Class III RECs and will request
16 recovery of those costs over and above the required Class III RECs in the 2023 Energy
17 Service Reconciliation.

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

19 A. Liberty plans to issue an RPS solicitation in November 2022 to procure RECs to satisfy
20 its 2022 RPS obligations and a portion of the 2023 RPS obligations.

1 **VI. ENERGY SERVICE COMMODITY COSTS**

2 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**
3 **Liberty's expected procurement cost used to develop the proposed retail rates.**

4 A. The load-weighted average of the power supply costs for the Large Customer Group for
5 August 1, 2022, through January 31, 2023, is 23.878¢ per kWh as compared to the load-
6 weighted average of 10.626¢ per kWh for the period February 1, 2022, through July 31,
7 2022. The load-weighted average of the power supply costs for the Small Customer
8 Group for August 1, 2022, through January 31, 2023, is 22.227¢ per kWh as compared to
9 the load-weighted average of 11.119¢ per kWh for the period February 1, 2022, through
10 July 31, 2022. The power supply costs at the retail customer meter (¢ per kWh) were
11 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by
12 the applicable loss factor and then dividing the results by ten. The applicable loss factors
13 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated
14 ratio of wholesale purchases to retail deliveries.

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

16 A. To the extent that the actual cost of procuring Energy Service varies from the amounts
17 billed to customers for the service, Liberty will reconcile the difference through the
18 reconciliation mechanism pursuant to Liberty's Energy Service Adjustment Factor
19 contained in its currently effective Retail Delivery Tariff. Please see Attachment
20 HMT/AMH-5 for the proposed Energy Service Adjustment Factor rate.

1 **VII. CONCLUSION**

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

3 A. The Large Customer Group rates and the Small Customer Group rates proposed in this
4 filing will both end on January 31, 2023. Per the terms of the Settlement Agreement,
5 Liberty will next issue an RFP for both groups in November 2022. For purposes of
6 notice to the Commission, the following table illustrates Liberty's proposed timeline for
7 the next RFP:

RFP Process Steps	Proposed November 2022 RFP
RFP Issued	November 1, 2022
Indicative Bids Due	December 6, 2022
Final Bids Due	December 13, 2022
Energy Service Filing to Commission	December 16, 2022
Commission Order Needed	December 23, 2022
Service Begins	February 1, 2023

8

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

10 A. Yes, it does.