

**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 February 1, 2023 – July 31, 2023

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

December 16, 2022



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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. (“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 22-024, Granite
10 State's Default Service Filing, on June 14, 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) for the period

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 May 1, 2023, through July 31, 2023 (“Block B”), and (ii) the Residential and Small
2 Commercial Customer Group (“Small Customer Group”²) for the six-month period
3 February 1, 2023, through July 31, 2023. My testimony will describe the process used by
4 Liberty to procure Energy Service for both the Large and Small Customer Groups, the
5 proposed Energy Service rates, how the Company will conduct a new solicitation for the
6 Large Customer Group for the three-month period February 1, 2023, through April 30,
7 2023 (“Block A”), and how the Company proposes to meet its 2022 Renewable Portfolio
8 Standard (“RPS”) obligations.

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

10	A.	Schedule JDW-1	Energy Service RFP February 1, 2023, through July 31, 2023
11		Schedule JDW-2	Energy Service Procurement Summary
12		Schedule JDW-3	Comparison of Change in Futures Prices to Change in Procurement
13			Costs
14		Schedule JDW-4	Energy Service Contract for the Large Customer Group May 1,
15			2023, through July 31, 2023, with Calpine Energy Services, L.P.
16		Schedule JDW-5	Energy Service Contract for the Small Customer Group February
17			1, 2023, through July 31, 2023, with NextEra Energy Marketing,
18			LLC
19		Schedule JDW-6	Summary of May 1, 2022, RPS Solicitation
20		Schedule JDW-7	Summary of 2022 and 2023 REC Positions
21		Schedule JDW-8	Summary of 2022 and 2023 REC Purchase Agreements

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 **III. ENERGY SERVICE BIDDING PROCESS**

2 **Q. Mr. Warshaw, why does Liberty need to procure Energy Service for both the Large**
3 **and Small Customer Groups for the period beginning February 1, 2023?**

4 A. Pursuant to the procurement process approved by the Commission, which I describe later
5 in my testimony, Liberty procures power supply through contracts having a three-month
6 term for the Large Customer Group and a six-month term for the Small Customer Group.
7 Liberty's currently effective Energy Service supply contracts for both the Large and
8 Small Customer Groups expire on January 31, 2022. Therefore, to assure that Energy
9 Service will continue to be available, Liberty requires new Energy Service supply
10 arrangements beginning February 1, 2023.

11 **Q. Please describe the process Liberty used to procure its Energy Service supply for**
12 **the six-month period beginning February 1, 2023.**

13 A. Liberty conducted its procurement of Energy Service supply consistent with the
14 principles of the electric restructuring statute, RSA 374-F, and previous Commission
15 orders. The Company complied with the solicitation, bid evaluation, and procurement
16 process set forth in the Settlement Agreement dated November 18, 2005, which was
17 approved by the Commission in Order No. 24,577 (Jan. 13, 2006) in Docket No. DE 05-
18 126, amended by Order No. 24,922 (Dec. 19, 2008) in Docket No. DE 08-011, amended
19 by Order No. 25,601 (Nov. 27, 2013) in Docket No. DE 13-018, and further amended by
20 Order No. 25,806 (Sept. 2, 2015) in Docket No. DE 15-010 (as amended through these
21 subsequent orders, the "Settlement Agreement"). On November 1, 2022, Liberty issued a

1 request for proposals (“RFP”) for certain power supply services and sought suppliers for
2 Liberty’s Energy Service covering both the Large and Small Customer Groups.

3 **Q. Was the Company’s solicitation for the period beginning February 1, 2023,**
4 **consistent with the Commission-approved process for Energy Service?**

5 A. Yes, Liberty’s Energy Service RFP was conducted consistent with the Settlement
6 Agreement.

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

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

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

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

19 A. Yes. Indicative proposals were received on December 6, 2022. Final proposals were
20 received on December 13, 2022. None of the bidders made their provision of Liberty’s
21 Energy 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, uncertainty regarding the Mystic cost of service (“COS”) costs, and
4 the unknown effects of the New Hampshire Community Aggregation programs. The
5 Large Customer Group Block A (February 1, 2023, to April 30, 2023) received no
6 acceptable final bids. This is the first time Liberty had no acceptable final bids in an
7 Energy Service RFP.

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

10 A. The futures market prices for electricity and natural gas at the time of receiving final bids
11 for the previous two solicitation periods on December 14, 2021, and June 7, 2022, as well
12 as current futures market prices, are shown in Schedule JDW-3. These are the most
13 recent solicitations for the Small Customer Group. As shown, current electric wholesale
14 and natural gas future prices are still significantly higher as compared to the prior year’s
15 final bids that were received on December 14, 2021. However, futures prices are lower
16 when compared to the June 7, 2022, futures prices. Due to the volatility in the electric
17 futures market, uncertainty regarding the Mystic COS costs, and the unknown effects of
18 the New Hampshire Community Aggregation programs, the proposed retail prices for the
19 Small Customer Group are slightly lower when compared to the retail prices currently in
20 rates.

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

2 A. Yes. Liberty evaluated the bids received and selected the supplier that: (i) provided a bid
3 that was conforming to the RFP; (ii) had the lowest price; (iii) met the credit
4 requirements described in the RFP; and (iv) passed our qualitative evaluation. On
5 December 14, 2022, Liberty entered into a wholesale Transaction Confirmation with
6 Calpine Energy Services, L.P. (Calpine), the winning bidder, to provide Energy Service
7 to the Large Customer Group for the three-month period May 1, 2023, through July 31,
8 2023, Block B. Together, a Transaction Confirmation and a Master Power Agreement
9 provide the terms for the purchase of Energy Service from a supplier. A copy of the
10 Transaction Confirmation between Calpine and Liberty, with certain confidential sections
11 redacted, is attached as Schedule JDW-4. A copy of the Calpine Master Power
12 Agreement was filed with the Commission on September 17, 2007, in Docket No. DE 07-
13 012 (Energy Service proceeding), and the First Amendment to that Master Power
14 Agreement was filed with the Commission on December 12, 2016, in Docket No. DE 16-
15 249 (Energy Service proceeding).

16 On December 14, 2022, Liberty entered into a wholesale Transaction Confirmation with
17 NextEra Energy Marketing, LLC. (NextEra), the winning bidder, to provide Energy
18 Service to the Small Customer Group for the six-month period February 1, 2023, through
19 July 31, 2023. Together, a Transaction Confirmation and a Master Power Agreement
20 provide the terms for the purchase of Energy Service from a supplier. A copy of the
21 Transaction Confirmation between NextEra and Liberty, with certain confidential
22 sections redacted, is attached hereto as Schedule JDW-5. A copy of the NextEra Master

1 Power Agreement was filed with the Commission on September 17, 2007, in Docket No.
2 DE 07-012 (Energy Service proceeding), and the First Amendment to that Master Power
3 Agreement was filed with the Commission on September 20, 2010, in Docket No. DE 10-
4 020 (Energy Service proceeding).

5 **Q. Does the Company have a value of the contracts with Calpine and NextEra?**

6 A. The notional value of the transactions with Calpine and NextEra is \$39.8 million, based
7 on the contracted fixed prices and Liberty's forecast of retail sales for this Energy Service
8 period for the combined large (Block B only) and small customer groups.

9 **Q. How does the Company propose to proceed to address the remaining load that was**
10 **not met by any suppliers in the RFP?**

11 A. For the Large Customer block that received no acceptable bids, the Company requests
12 that the Commission allow for a second RFP, limited to only Block A load. If the
13 Commission approves this request, Liberty will issue a second RFP for the Large
14 Customer Group for the service period of February 1, 2023, through April 30, 2023
15 (Block A). The Company proposes the following schedule for the second RFP and
16 approval process:

RFP Issued	December 23, 2023
Final Bids Due	January 4, 2023
Energy Service Filing to Commission	January 6, 2023
Commission Order Needed	January 13, 2023
Service Begins	February 1, 2023

17

1 **Q. Does Liberty have an alternate option to provide supply for the Large Customer**
2 **Group during the period February 1, 2023, to April 30, 2023?**

3 A. Yes, absent receiving an acceptable final bid from a second solicitation, Liberty would
4 serve the load from the ISO-NE spot market, bidding into the day ahead market and
5 taking on the responsibility for all ancillary services normally associated with serving
6 load in New England. Liberty would propose a monthly retail price that would be based
7 on energy market futures and other appropriate ancillary costs. The Company would
8 reconcile its costs with the revenue received from the Large Customer Group of
9 customers. This reconciliation would occur as part of the annual Energy Service
10 reconciliation to be filed in May 2023.

11 **V. RENEWABLE PORTFOLIO STANDARD**

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

13 A. As specified in the RPS statute, RSA 362-F, a provider of electricity must obtain and
14 retire certificates sufficient in number and class type to meet the following minimum
15 percentages of total megawatt-hours of electricity supplied by the provider to its
16 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%

17

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 Amended RPS Settlement provides that the Company may
9 satisfy RPS obligations by providing either RECs for each RPS class from the NEPOOL
10 Generation Information System (“NEPOOL-GIS”) or by making an Alternative
11 Compliance Payment (“ACP”) to the State of New Hampshire’s Renewable Energy
12 Fund. As specified in the Amended RPS Settlement, Liberty requested bidders to
13 provide a separate RPS Compliance Adder with their bids. This RPS Compliance Adder
14 is the incremental charge by a bidder for agreeing to take on the RPS obligation with the
15 Energy Service obligation.

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

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

1 multiplying the RPS obligation percentage for each REC class by the electricity sales for
2 the term of the transaction.

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

5 A. In Schedule JDW-2, Exhibit 11, Liberty calculated a Renewable Portfolio Standard
6 Adder rate of \$0.00815/kWh based on market prices as of November 28, 2022. Liberty
7 would use that RPS Adder to benchmark against any RPS Compliance Adders that may
8 be included in bids received from suppliers.

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

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

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

13 A. No. Liberty is proposing to not change the current Commission-approved Renewable
14 Portfolio Standard Adder as discussed in the Energy Service hearing of June 14, 2022.

15 Liberty issued a request for proposals on November 1, 2022, for the acquisition of New
16 Hampshire RPS compliant RECs to meet its forecasted 2022 and a portion of its 2023
17 obligations. The results of Liberty's November 1, 2022, solicitation are included in
18 Schedule JDW-2, Exhibit 10. At this time, Liberty has completed its analysis of the bids
19 but has not started contract negotiations with the bidders. Liberty will notify the winning
20 bidders by December 31, 2022, and will provide an update in the next Energy Service

1 filing scheduled for June 2023. At that time Liberty will propose a new Renewable
2 Portfolio Standard Adder based on both RPS solicitation results and market prices.

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

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

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

9 A. Yes. In December 2021, Liberty was able to contract for Class I, Class I Thermal, and
10 Class IV RECs to help meet a portion of its 2022 RPS obligations. A summary of the
11 results of Liberty's June 2022 RPS solicitation is included in Schedule JDW-6. Schedule
12 JDW-7 is a summary of Liberty's RPS positions. As shown in Schedule JDW-7, Liberty
13 forecasts it could spend up to \$3,969,420 to meet its 2022 RPS Obligations and up to
14 \$4,919,258 to meet its 2023 RPS Obligations if the estimated REC shortages are met
15 solely by Alternative Compliance Payments. Schedule JDW-8 is a list of the contracts
16 Liberty has executed with RPS REC suppliers for vintage 2022 NH RPS compliant
17 RECs.

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

20 A. At this time Liberty is forecasting that it will have 14,601 vintage 2020 Class III RECs, at
21 a value of \$504,319 based on the 2020 ACP for Class III, that it will be unable to use to

1 meet the 2022 or 2023 RPS Class III REC obligations due to the 30% limit in using
2 “banked” RECs in a single compliance year as specified in RSA 362-F:7 and that
3 “banked” RECs can only be used in the two subsequent years from the REC vintage year.
4 If the 2022 RPS Class III REC obligation is reduced, Liberty expects to have even more
5 surplus RECs to recover costs. Liberty will propose to recover the cost of these surplus
6 RECs in the 2023 Energy Service Reconciliation.

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

8 A. Liberty plans to issue an RPS solicitation in May 2023 to procure RECs to satisfy its
9 2022 RPS obligations and a portion of the 2023 RPS obligations.

10 **VI. ENERGY SERVICE COMMODITY COSTS**

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

13 A. The load-weighted average of the power supply costs for the Large Customer Group for
14 only the three-month period of May 1, 2023, through July 31, 2023, is 12.258¢ per kWh
15 as compared to the load-weighted average of 16.708¢ per kWh for the three-month period
16 August 1, 2022, through October 31, 2022. Liberty selected this comparison to compare
17 prices between the two most recent three-month periods that did not include winter
18 months. The load-weighted average of the power supply costs for the Small Customer
19 Group for February 1, 2023, through July 31, 2023, is 22.007¢ per kWh as compared to
20 the load-weighted average of 22.228¢ per kWh for the period August 1, 2022, through
21 January 31, 2023. The power supply costs at the retail customer meter (¢ per kWh) were
22 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by

1 the applicable loss factor and then dividing the results by ten. The applicable loss factors
2 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated
3 ratio of wholesale purchases to retail deliveries.

4 **Q. How will Liberty reconcile any difference in costs associated with Energy 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 will reconcile the difference through the
7 reconciliation mechanism pursuant to Liberty's Energy Service Adjustment Factor
8 contained in its currently effective Retail Delivery Tariff.

9 **VII. CONCLUSION**

10 **Q. What will be the Company's requests at the December 20, 2022, hearing?**

11 A. The Company will ask the Commission to (1) approve the Calpine contract for the Large
12 Customer Group Block B; (2) approve the NextEra contract for the small customer
13 group; and (3) approve the Company's proposal to conduct a second solicitation for a
14 contract to supply the Large Customer Group Block A according to the process outlined
15 above that calls for a hearing and Commission order by January 13, 2023.

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

17 A. The Large Customer Group rates and the Small Customer Group rates proposed in this
18 filing will both end on July 31, 2023. Per the terms of the Settlement Agreement, Liberty
19 will next issue an RFP for both groups in May 2023. For purposes of notice to the
20 Commission, the following table illustrates Liberty's proposed timeline for the next RFP:

RFP Process Steps	Proposed May 2023 RFP
RFP Issued	May 1, 2023
Indicative Bids Due	June 13, 2023
Final Bids Due	June 20, 2023
Energy Service Filing to Commission	June 23, 2023
Commission Order Needed	June 30, 2023
Service Begins	August 1, 2023

1

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

3 A. Yes, it does.