

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-044

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

2023 Energy Service Solicitation

Order Approving Petition for August 1, 2023 to January 31, 2024 Rates

ORDER NO. 26,854

June 30, 2023

This order authorizes Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company) to recover the costs of power supply through energy service (ES)¹ rates for effect for the six-month period of August 1, 2023, through January 31, 2024. The table below summarizes the updated, reduced ES rate of 12.612 cents per kilowatt hour (kWh) for Liberty’s Small Customer Group, which includes residential customers taking ES from Liberty. This rate includes a charge of 0.851 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. The RPS costs represent approximately 7 percent of the ES charges for residential customers.

Liberty Residential (Small Customer Group) ES Rates

	Effective Date	Power Supply Charge	RPS	Total kWh ES Charge²
Prior Year Rate	8/1/2022	\$0.21290	\$0.00781	\$0.22228
Current Rate	2/1/2023	\$0.21069	\$0.00781	\$0.22007
Approved Rate	8/1/2023	\$0.12188	\$0.00851	\$0.12612

¹ The customer bill for those customers that take Liberty default service is composed of three parts: power supply, transmission, and distribution. The ES rates for default service customers are for the power supply component only.

² This Total per-kWh Charge incorporates certain small ancillary charges and credits allowed as part of Liberty ES rates; therefore, the sum of the Power Supply Charge and RPS charge does not exactly equal the Total Charge. Please refer to Hearing Exhibit 3 for more historical details regarding Liberty ES rates since August 2022.

For a residential customer using 650 kWh per month, the result will be a decrease in the monthly bill from approximately \$220.50 to \$159.44 or about \$61.07 (28 percent) less, compared to the six-month period ending July 31, 2023.

The Commission does not administratively set the prices offered by wholesale electricity prices operating in the regional ISO-New England market to Liberty for serving Liberty's ES load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where Liberty endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. BACKGROUND AND POSITIONS

Liberty made its ES filing pursuant to a settlement agreement (Settlement Agreement) approved in Docket No. DE 05-126, by Order No. 24,577 (January 13, 2006), as modified by Order No. 24,922 (December 19, 2008), Order No. 25,601 (November 27, 2013), Order No. 25,806 (September 2, 2015), Order No. 26,752 (December 22, 2022), and Order No. 26,758 (January 13, 2023).

On April 5, 2023, Liberty made a filing with the Commission advising of the Company's plans to conduct this round of ES solicitations. The Commission issued a Commencement of Adjudicative Proceeding and Notice of Hearing Order on April 11, 2023, scheduling a hearing for June 28, 2023. The Office of the Consumer Advocate (OCA) filed its letter of participation on April 18, 2023. On June 23, 2023, Liberty filed a Petition for Adjustment to the ES Rate for effect on August 1, 2023, with supporting pre-filed testimony of John D. Warshaw (Manager, Electric Supply); Christopher M.D. Green (Manager of Energy Market Operations); Tyler J. Culbertson (Director of Rates and Regulatory Affairs); and James M. King (Analyst II, Rates and Regulatory Affairs),

all personnel with Liberty Utilities Service Corp., Liberty's service-company affiliate. See Hearing Exhibits 3 and 5. Messrs. Culbertson and King also filed testimony and schedules regarding certain ES reconciling rate features on May 30, 2023. See Hearing Exhibit 1. Subsequently, on June 28, 2023, after the hearing in this matter, the Company filed updated summary ES rate schedules for its Small Customer Group to correct a minor technical error elucidated by Commissioner questioning at hearing in a redacted and confidential format, which were styled by the Company as "Hearing Exhibit 6" (confidential) and "Hearing Exhibit 7" (redacted).

Certain schedules included in Liberty's filings contain information that Liberty claims is confidential pursuant to the New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07. This material includes the Company's bid evaluation and summary information, renewable energy certificate pricing, and other confidential pricing terms. The hearing was held on June 28, 2023, as scheduled, where the Company, the OCA, and representatives of the New Hampshire Department of Energy (DOE) appeared. Messrs. Culbertson, Green, King, and Warshaw provided additional oral testimony in support of the Company's petition at hearing. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-044.html>

Liberty's ES petition seeks approval of new ES rates for the six-month period beginning August 1, 2023. Liberty based its filing on the results of its Request for Proposals (RFP) solicitation issued on May 1, 2023, for power supply to serve the Company's Large and Small Customer groups. According to Liberty, the RFP was

widely distributed, including to all members of the New England Power Pool (NEPOOL) Markets Committee and was posted on the Company's website.

On June 13, 2023, Liberty received initial bids that included detailed background information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Liberty received final bids on June 20, 2023. Liberty said it evaluated bids received for each customer group and chose the supplier that provided a bid that conformed to the RFP; had the lowest price; met the credit requirements described in the RFP; and passed Liberty's qualitative evaluation. The Small Customer Group supply requirement (100% share) winning bidder was Constellation Energy Generation, LLC (Constellation), for the six-month period of August 1, 2023 through January 31, 2024; Liberty notified Constellation that it was the winning bidder, and entered into a power supply agreement (PSA) with Constellation.

The Large Customer Group supply requirement (100% share) was divided by the Company into two 3-month increments (August to October, or "Block A," and November to January, or "Block B"). NextEra Energy Marketing, LLC (NextEra) was the winning bidder for the Large Customer Group, Block A load, and Calpine Energy Services, L.P. (Calpine) was the winning bidder for the Large Customer Group, Block B load. The Company attached to its testimony the PSAs with Constellation, NextEra, and Calpine.

Liberty included an RPS compliance adder with power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which Liberty obtains revenue to meet its RPS obligations under RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to purchase qualifying renewable energy certificates (RECs), where one REC represents one megawatt hour of

power produced by a qualified renewable generation source. In May and June 2023, Liberty was able to contract, through an RFP process, for Class II RECs to meet a portion of its 2022 and 2023 RPS obligations. Effective with rates on August 1, 2023, the RPS compliance adder will be 0.851 cents for both the Small and Large Customer Groups. Liberty indicated that it had unused Class III RECs from 2020, which were “stranded” by recent legislative changes and concurrent Commission decisions, the costs for which the Company planned to seek recovery through its 2023 Energy Service Reconciliation filed with the Company’s ES rate proposal under review in this docket.

Liberty calculates the base energy rate for both Customer Groups using the applicable loss factors, and then adjusts the rates by the amount of the RPS adder, the Energy Service [Reconciliation] Adjustment Factor (ESAF), and the Energy Service Cost Reclassification Adjustment Factor (ESCRAF). In this filing, as updated by the “Hearing Exhibit 6” and “Hearing Exhibit 7” filings, which corrected a computational error in the ESAF for the Small Customer Group pointed out by the Commission at hearing, the ESAF is a credit of 0.470 cents per kWh to the Small Customer Group rate, and a credit of 2.090 cents per kWh to the Large Customer Group rates. The ESCRAF is a charge of 0.043 cents per kWh for the Small Customer Group and a credit of 0.038 cents per kWh for the Large Customer Group. Liberty calculated the energy service rate for the Small Customer Group, adjusted for the RPS, ESAF, and ESCRAF components, to be 12.612 cents per kWh, a decrease from the current retail rate of 22.007 cents per kWh.

For the Large Customer Group (rate classes G-1 and G-2), Liberty develops base energy rates that vary by month based on the supplier's bid and Liberty's loss factor. Liberty then adjusts those rates using the reconciliation factors and the RPS adder, to

calculate a total energy service rate for each month in the energy service period. Liberty derived the following monthly rates for customers in the Large Customer Group, per kWh: August 2023, 7.196 cents; September 2023, 4.799 cents; October 2023, 4.448 cents; November 2023, 12.302 cents; December 2023, 18.892 cents; January 2024, 22.302 cents.

Liberty requested that the Commission approve its filing and allow the costs associated with the Constellation, NextEra, and Calpine PSAs to be recovered through rates. Liberty also requested that the price estimates of RECs be included in retail rates.

In oral testimony provided at hearing, Liberty stated that it supported the DOE proposal (discussed below) to have the Commission adjudicate the question of the recoverability of the costs of the “stranded” 2020 Class III RECs in a separate phase of this docket, to be concluded by a hearing in August. Liberty also acknowledged the computational error in the ESAF for the Small Customer Group and accepted the credit of 0.470 cents as the correct ESAF credit value for this customer class. Liberty also provided its perspectives regarding recent developments in the ISO-New England electricity market, noting that volatility and prices have modulated somewhat from last year.

The OCA stated at hearing that it supported Commission approval of the Liberty ES rate proposal, and also indicated its support for the DOE proposal to adjudicate the question of the recoverability of the “stranded” 2020 Class III RECs in a separate phase of this proceeding.

The DOE, in a statement made at hearing, stated that it generally supported Commission approval of the Liberty ES solicitation and the ES rates resulting therefrom as being in conformity with the Settlement Agreement, as modified, and

relevant statutory standards and Commission precedent. The DOE also recommended that the Commission schedule a hearing in August to decide the final recoverability of the costs of the “stranded” Class III RECs referred to by the Company.

II. COMMISSION ANALYSIS

We find that Liberty’s solicitation and bid evaluation process conforms with Order No. 24,577, as modified, for the procurement of power supply for customers taking ES from Liberty. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based, just, and reasonable. We find Liberty’s selection of Constellation to provide power supply for the Small Customer Group, NextEra for the Large Customer Group, Block A, and Calpine for the Large Customer Group, Block B, to be consistent with prior Commission orders. We also find Liberty’s price estimates of RECs for the period, which are reconciled annually, are appropriate. Therefore, we approve the REC price estimates for inclusion in retail rates effective August 1, 2023.

Regarding the Class III REC issue referred to by the Company in its current ES filing, for which the Company also filed testimony in Docket No. DE 21-087, *see* Hearing Exhibits 4 and 5, we first note that the Commission has taken administrative notice of the DE 21-087 testimony at the June 28 hearing for this ES proceeding. Furthermore, we acknowledge the DOE proposal of having a separate phase of this docket to adjudicate the question of final recoverability of the “stranded” Class III REC costs through an August hearing. The Commission supports this proposal, and to that end, we will allow Liberty to recover these costs (totaling \$864,640) on an interim basis through the ES rates approved in this Order, pending the outcome of the August 2023 adjudication of this issue. (The Commission will issue a separate procedural order scheduling this hearing). If any reconciliation will arise from the Commission’s

determination of this issue, it will be applied to next year's (2024) ES Reconciliation calculations by the Company.

The Commission recognizes that although we do not have regulatory authority over power supply since New Hampshire's utilities divested themselves of their generation/power supply assets, the Commission has the ability to oversee the procurement process, to ensure that the ES service prices are robustly competitive. In light of this responsibility, we encourage the Company to explore, for its upcoming ES solicitation, the possibility of including a day-ahead and real-time ISO-NE market-based procurement element for a portion of its Small Customer Group load, given the potential for better pricing outcomes for ES customers. Such an element could include up to 25 percent in total of that load class.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into between Liberty and Constellation Energy Generation, LLC for 100 percent of power supply requirements for the Small Customer Group for the six-month period beginning August 1, 2023, is hereby APPROVED as filed and discussed herein above; and it is

FURTHER ORDERED, that the power supply agreements entered into between Liberty and NextEra Energy Marketing, LLC, and Calpine Energy Services, L.P., for the Large Customer Group for the three-month "Block A" period of August 1, 2023 through October 31, 2023, and the three-month "Block B" period of November 1, 2023 through January 31, 2024, respectively, are hereby APPROVED as filed and discussed herein above; and it is

FURTHER ORDERED, that Liberty's request to recover the costs of the power supply agreements through the energy service rates proposed in this filing effective

with services rendered on and after August 1, 2023, through January 31, 2024, is hereby APPROVED, as filed and discussed herein above; and it is

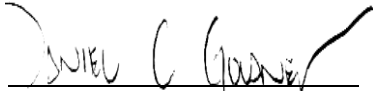
FURTHER ORDERED, that on a monthly basis over the six-month default service rate period, Liberty is to file by the 10th day of the following month, a summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for Liberty's Small Customer Group; and it is

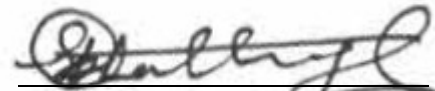
FURTHER ORDERED, that Liberty is authorized to use its price estimates of renewable energy certificates in its calculation of energy service rates; and it is

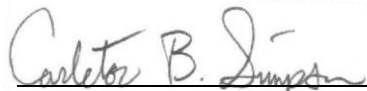
FURTHER ORDERED, that a separate phase of this ES rate proceeding shall be opened, by a separate procedural order, scheduling a hearing in August 2023, to consider the question of final recoverability of the \$864,640 in Class III REC costs sought by Liberty, with interim recovery, subject to any reconciliation, to be made within the energy service rates approved herein, with any reconciliation applied to Liberty's 2024 energy service reconciliation; and it is

FURTHER ORDERED, that Liberty shall file conforming tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order, consistent with N.H. Code Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of June, 2023.


Daniel C. Goldner
Chairman


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-044

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