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

Liberty Utilities (Granite State) Corp.
d/b/a Liberty

2023- Energy Service Solicitation

Docket No. DG 23-044

Technical Statement of Christopher M. D. Green, Aaron J. Doll, and K. Myka Hayward-Hawkins Proposing an ISO-New England Market-Based Procurement Tranche

January 29, 2024

A. Purpose of Proposal

On December 7, 2023, Liberty Utilities (Granite State Electric) Corp. ("Liberty" or "the Company") submitted its 2024 Default Service Solicitation filing for both the large customer group (LCG) and small customer group (SCG), requesting new default service rates to be approved and effective on February 1, 2024, through July 31, 2024. Per Commission Order No. 26,913 (Dec. 15, 2023), the Commission approved the proposed default service rates, and directed the Company to file a proposal for "an ISO-New England market-based procurement tranche of 10 to 20 percent ... for the Company's upcoming August 2024 – January 2025 energy service period for its small customer group." Order at 8.G. The following proposal is in response to the Commission's order.

As a preliminary matter, note that both the Proposed Procurement Plan and the Alternative Procurement Plan described below would be a deviation from the settlement agreements and orders dictating Liberty's current solicitation process. See the Settlement Agreement dated November 18, 2005, which was approved by the Commission in Order No. 24,577 (Jan. 13, 2006) in Docket No. DE 05-126; amended by Order No. 24,922 (Dec. 19, 2008) in Docket No. DE 08-011; amended by Order No. 25,601 (Nov. 27, 2013) in Docket No. DE 13-018; and further amended by Order No. 25,806 (Sept. 2, 2015) in Docket No. DE 15-010 (collectively referred to as the "Settlement Agreement"). As stated in Order No. 24,577, at 12, default service must be designed to assure universal access and system integrity; it should be through the competitive market; and the administrative costs should be borne by the customers in a manner approved by the Commission."

The Commission recognized the standards that would govern any new default service solicitation process: "The statute further permits us to approve 'alternative means of providing transition or default service which are designed to minimize customer risk; not unduly harm the development of competitive markets; and mitigate against price volatility without creating new deferred costs' as the competitive market develops." Order No. 24,577 at 12 (citing former RSA 374-F:3(e)[1] As such, a

[1] The revised version of this language now appears in RSA 374-F:3, V,(e): "Notwithstanding any provision of subparagraphs (b) and (c), as competitive markets develop, the commission may approve alternative means of

Commission order finding that the proposals below satisfy these standards would be necessary prior to their adoption.

B. Proposed Procurement Plan

On August 1, 2024, in accordance with Order No. 26,913, Liberty proposes to take 20% of the SCG to the ISO-New England Market. The remaining 80% of the SCG will be served using the existing process, i.e., a full-service requirement bid selected by Liberty through the request for proposal (RFP) process beginning on May 1, 2024. The Company will obtain a daily load forecast from a third-party load forecasting software subscription for approximately 20% of the SCG group and procure that portion from the Day-Ahead market. Any amounts that deviate from the forecast will be sold into or purchased from the Real-Time market. This is the process Liberty used for its LCG from February 1, through April 30, 2023, due to a failed default service solicitation at that time.

C. Alternative Procurement Plan

Liberty has collaborated with a consultant, Tyr Energy, to evaluate alternative procurement plans to provide better price stability at a lower cost for Liberty's default service customers. As a result of the evaluation, Liberty believes an alternative method to the Proposed Procurement Plan may be a Locational Marginal Price ("LMP") call option, a mechanism that can be used to hedge exposure to high market prices. While a call option does not provide the same around-the-clock fixed pricing as the current full-service requirement, it does allow for a fixed upper limit to the normal volatility of the market. With this plan the Company would not be constrained to the proposed 10-20% of the SCG for self-supply and would be mitigating the exposure to extreme prices and potentially offer more customers more economic rates than the existing procurement method can provide. The alternative approach could address concerns over the lack of a competitive supply and potentially mitigate market liquidity issues of suppliers providing full-service requirement bids as it relates to the utility's eroding default service load due to community aggregation.

D. Customer Retail Rate

For both the proposed and alternative procurement plans, Liberty will determine fixed customer retail rates for the six-month period. Rates will be a mix of supplier costs determined by the RFP and estimated market prices for self-service. The Proposed Procurement Plan would combine 80% supplier costs with 20% self-service costs, while the Alternative Procurement Plan could require an agreed upon amount of base load included in a call option allowing at least a portion of customers energy to float with the market while capping volatility exposure to extreme price spikes. Self-service for the proposed plan would be determined by a twelve-month average of costs including ancillaries, Net Commitment-Period Compensation ("NCPC"), and other wholesale market charges while also utilizing a calculated estimate of energy and capacity costs. Please see Table 1 for a breakdown of ISO self-supply cost estimates and Table 2 for estimated total period costs. The Company's alternative plan would estimate a fixed retail rate but would require recovery of all costs related to floating with the market, including hedge costs, Day-Ahead and Real-Time imbalance costs, and all other costs related to self-service.

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providing transition or default services which are designed to minimize customer risk, not unduly harm the development of competitive markets, and mitigate against price volatility without creating new deferred costs, if the commission determines such means to be in the public interest."

E. Reconciliation

Liberty proposes to use the same reconciliation process implemented for the LCG from February 1, through April 30, 2023. This reconciliation will be applied directly to the SCG only. Liberty will reimburse or collect from customers the difference between actual costs and collections. Reconciliation will be filed in May 2025 for the period August 1, 2024, to July 31, 2025.

F. Necessary Course of Action

Liberty's next RFP is scheduled for May 1, 2024. Thus, the Company would need approval of the above Proposed Procurement Plan by April 1, 2024. In the event that the remaining load impacts supplier participation in the May-2024 RFP the Company, with Commission approval, would like to issue a second expedited solicitation for the entire SCG load block. If the Commission has an interest in the Alternative Procurement Plan, the Company recommends scheduling a series of technical sessions to evaluate options with the New Hampshire Department of Energy and the Office of Consumer Advocate for consideration of adoption in a future period.

G. Proposed Procurement Plan Tables

TABLE 1- ISO Self-Supply (20% DS) Cost Estimate

	NH Wholesale Load Cost Components	UNIT	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
A	Small Customer Group Load	MWh	4,528	3,742	3,621	3,865	4,574	4,765
B	Energy Estimate	$/MWh	$ 45.79	$ 34.73	$ 35.44	$ 58.78	$ 87.60	$ 116.88
C	Capacity Estimate	$/MWh	$ 7.29	$ 8.82	$ 9.12	$ 8.54	$ 7.22	$ 6.93
D	Net Commitment Period Compensation	$/MWh	$ 0.89	$ 0.89	$ 0.89	$ 0.89	$ 0.89	$ 0.89
E	Ancillary Markets	$/MWh	$ 1.14	$ 1.14	$ 1.14	$ 1.14	$ 1.14	$ 1.14
F	Misc. Credit/Charge	$/MWh	$ (0.39)	$ (0.39)	$ (0.39)	$ (0.39)	$ (0.39)	$ (0.39)
G	Wholesale Market Service Charge	$/MWh	$ 0.99	$ 0.99	$ 0.99	$ 0.99	$ 0.99	$ 0.99
H	IEP Costs (NH Estimate)	$/MWh						
K	Total Self-Supply Cost Estimate	$/MWh	$ 55.70	$ 46.17	$ 47.18	$ 69.94	$ 97.44	$ 126.43

Weighted Average Estimate	**$ 76.28**

TABLE 2- Estimate of Total Period Costs

	NH Wholesale Load Cost Components	UNIT	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
A	Self-Supply Load (20%)	MWh	4,528	3,742	3,621	3,865	4,574	4,765
B	Full-Service Requirement Load (80%)	MWh	18,111	14,967	14,482	15,461	18,297	19,059
C	Self-Supply Cost (20%)	$/MWh	$55.70	$46.17	$ 47.18	$69.94	$ 97.44	$126.43
D	Full-Service Requirement Cost (80%)	$/MWh	$68.74	$64.31	$ 63.53	$75.09	$113.18	$142.94
E	Total Wholesale Energy Rate	$/MWh	$66.13	$60.68	$ 60.26	$74.06	$110.04	$139.64

Weighted Average Estimate	**$ 87.65**