

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 24-061

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

2024 Default Service Solicitations

Order Approving Modifications to Default Service Procurement

ORDER NO. 27,058

October 1, 2024

This order approves the Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company) proposal, made in response to a Commission directive, for the expansion of its ISO-New England market-based procurement tranche to 50 percent of the load for its small Default Service customer group, which includes residential Default Service customers, and 100 percent of the load for Liberty's large Default Service Customer group, which includes commercial and industrial (C&I) customers. This order also approves certain ancillary changes to the Company's Default Service structure proposed by Liberty, connected with the Company's Bad Debt expense. The changes regarding market-based procurement are to be implemented for the February 1, 2025 to July 31, 2025 Default Service period, and are expected to provide cost savings for residential and C&I Default Service customers.

I. BACKGROUND AND POSITIONS

On June 27, 2024, the Commission issued Order No. 27,027, in which it required Liberty to file

a proposal for the Company's upcoming February-July 2025 Default Service period that would include the following components: (1) an ISO-New England market-based procurement tranche of at least 30 percent, with no upper bound, for the Small Customer Group, and full (100 percent) ISO-New England market-based procurement for the Large Customer Group, along the lines

approved by the Commission in Order No. 26,984 and this instant Order, with the following adjustments, and with an explanation of the Company's choice of the given tranche size provided by the Company for the Small Customer Group; (2) a modification wherein the "proxy price" for these market-based procurement tranches for the Small Customer group would be an average of (a) the four-year rolling weighted average of ISO-New England market prices in the New Hampshire load zone, and (b) the NYMEX futures prices for the upcoming six-month energy service period for ISO-New England; (3) a continuation of the monthly pricing approach for the Large Customer Group, with an appropriate proxy price.

Id. at 9-10. The Commission expanded this market-based procurement approach due to ongoing evidence that prevailing ISO-New England market prices, including all cost components, were markedly lower than those prices for third-party requirements contracts entered into by the Company to serve its Default Service load. *See Id.* at 9; *see also* Order No. 26,984, (March 29, 2024) at 1-2. The Commission also approved, on an interim basis, certain technical adjustments to the Company's methodologies for applying Bad Debt expense allocations within Order No. 27,027, and requested that the Company provide additional detail regarding these adjustments within this phase of this instant proceeding, for final approval. *Id.* at 10.

On August 7, 2024, Liberty made its proposal pursuant to the requirements of Order No. 27,027, in a petition filed in this instant Docket No. DE 24-061. The proposal 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/2024/24-061.html>

As part of its proposal, Liberty included the Technical Statements of Mr. Christopher Green (Hearing Exhibit 6), and Messrs. Robert Garcia and Adam Yusuf (Hearing Exhibit 7). The Technical Statements delineated Liberty's approach to the expanded ISO-New England market-based procurements and the Bad Debt issue.

On August 23, 2024, the Commission issued a supplemental order of notice commencing this phase of the proceeding, and scheduling a hearing on the Liberty proposal for September 11, 2024. On August 26, 2024, the Office of the Consumer Advocate (OCA) filed a motion, styled as a "Motion for Partial Reconsideration of Supplemental Order of Notice," requesting that the Commission grant leave for the OCA to file the testimony of its Director of Economics and Finance, Dr. Marc Vatter, and to reschedule the September 11 hearing. The Company independently, on August 27, 2024, filed its own motion to reschedule the September 11 hearing, and to allow the remote participation of its witnesses, Mr. Christopher Green and Mr. Aaron Doll, employees of the Company's Missouri affiliate. The Commission issued a procedural order granting the relief requested by the OCA and the Company on August 28, 2024, which rescheduled the hearing for this phase of the proceeding for September 23, 2024.

Subsequently, on September 13, 2024, the OCA filed Dr. Vatter's testimony (Hearing Exhibit 8). The New Hampshire Department of Energy (DOE), through its counsel, also filed a Position Statement regarding the matters connected to the Liberty proposal on September 13, 2024.

On September 23, 2024, the hearing in this matter was held as scheduled, where representatives of Liberty, the DOE, and the OCA appeared. Messrs. Doll, Garcia, Green, and Yusuf provided additional oral testimony in support of the Company proposal at the September 23 hearing, and responded to Commission inquiries regarding same. Dr. Vatter also provided oral testimony at the September 23 hearing, and responded to Commission inquiries, in elaboration of the OCA's positions.

Dr. Vatter's testimony, Hearing Exhibit 8, available here:

<https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-061/TRANSCRIPTS-OFFICIAL%20EXHIBITS-CLERKS%20REPORT/24-061-2024-09-23-EXH-8%20.PDF>

ranged over a series of technical recommendations centering on the OCA's interest in exploring the use of the futures market as a vehicle for Default Service procurements, the dangers of energy-price shocks feeding into electricity-market pricing outcomes, and hedging strategies in general. Dr. Vatter, in his oral testimony provided at the September 23 hearing, generally recommended a cautious, status-quo approach for the current Default Service procurement cycle for the Company.

In the Company's presentation of its proposals, Hearing Exhibits 6 and 7, and in its supporting oral testimony at the September 23 hearing, presented its methodologies for applying a 50 percent ISO-New England market-based procurement component for the Small Customer residential group, and 100 percent for the Large Customer C&I group, mostly based in the ISO-New England Day-Ahead energy markets with the Real-Time Market as a secondary source of supply, that largely continued the approach approved by the Commission in Order No. 26,984 in Docket No. DE 23-044, with the exception of the Commission-ordered adjustments to the proxy-price methodology specified by Order No. 27,027 and the size\scope of the market-based procurement tranches. The Company opined, Hearing Exhibit 6, Page 2 of 4, that the 50%/50% split of procurement for the Small Customer (residential) Group offered the most balanced approach, "in order to attract [third-party requirements contract] bidders and provide adequate cost protection, while also creating downward pressure to overall customer costs." The Company also noted in its proposal that monthly pricing, as specified by the Commission in Order No. 27,027, for the Large Customer Group would remain, see Hearing Exhibit 6, Page 3 of 4;

Hearing Exhibit 7, Page 2 of 4; and also presented at length the Liberty proposal for Bad Debt Allocation methodology going forward; Hearing Exhibit 7, at Pages 1 and 2 of 4. The Company also urged the Commission, in light of ongoing customer-migration pressure due to Community Aggregation, to consider more-frequent reconciliation cycles for future Default Service cycles, seasonal and time of use Default Service rates, and potential changes to policies surrounding customer switching in and out of Default Service Hearing Exhibit 7, at Pages 2 through 4 of 4.

The Company also expressed Liberty's willingness at the hearing to implement changes to Default Service as ordered, and asked that the Commission approve its proposal considered here.

The DOE, in a statement made at hearing, stated that it did not oppose Commission approval of the Liberty proposal, though it encouraged the Commission to "proceed with caution" with the market-based procurement strategy. The DOE also expressed its desire to have more time to review the Dr. Vatter\OCA proposals, and the Company's recommendations regarding such areas as a more-frequent Default Service reconciliation cycle.

The OCA stated at hearing that it did not oppose Commission approval of the Liberty proposal presented here, with the reservation that, in OCA's view, "caution" by the Commission in implementation of ISO-New England market-based procurements was warranted. The OCA opined that the 50%/50% split for Small Customer Group procurements presented by the Company was reasonable. The OCA also urged that the Commission give careful consideration to Dr. Vatter's proposals, especially the use of futures-markets procurements as an alternative to ISO-New England market procurements.

II. COMMISSION ANALYSIS

In assessing the Liberty proposal to modify its Default Service procurement process, the Commission is required to consider whether the proposal is consistent with: the principles elucidated in the relevant prior Commission orders (*see* Order No. 24,577 (January 13, 2006); Order No. 24,922 (December 19, 2008); Order No. 25,601 (November 27, 2013); Order No. 25,806 (September 2, 2015); Order No. 26,758 (January 13, 2023); Order No. 26,643 (June 20, 2022); Order No. 26,752 (December 22, 2022); Order No. 26,854 (June 30, 2023); Order No. 26,984 (March 29, 2024); Order No. 27,027 (June 27, 2024)); the Electric Utility Restructuring Policy Principles governing default service in RSA 374-F:3, V(c)-(e); and the goal of cost-effectively meeting the state's energy needs and reducing the burden on ratepayers, in RSA 378:37 and RSA 12-P:7-a. The Commission must also assess whether the resulting rates would be just and reasonable as required by RSA 374:2, RSA 378:5, and RSA 378:7.

Having reviewed the Liberty proposal and the supporting data presented by Liberty, including its monthly pricing-comparison reports filed in this docket, we find that the proposal meets the above-listed standards, and will produce market-based, just and reasonable, and cost-effective rates for Liberty Small and Large Customer Group residential and C&I customers. Given the ongoing broad differential between the ISO-New England prevailing monthly market prices, including all components, and the requirements-contract prices being paid by Liberty, we expect that ongoing expansion of the ISO-New England market-based procurement component will offer savings for Liberty default service customers, and offer a valuable process for an expanded market-based procurement approach. We also expect that this proposal will support more competitive energy market outcomes in line with the Restructuring

Policy Principles incorporated by statute. We find that Liberty's market-based rate projections, including proxy price development, and reconciliation structure embedded in its proposal are also just and reasonable, and will produce rates that are predictable, transparent, and reflective of energy market conditions. We also find that the Bad Debt calculation methodologies presented by the Company in its proposal are just and reasonable.

We therefore APPROVE the Liberty proposal for these reasons, for implementation in the February 1, 2025 through July 31, 2025 Default Service rate period (with the proviso that the Bad Debt methodology is GRANTED final approval for the current August 1, 2024 through January 31, 2025 Default Service rate period as well). We would expect that any necessary Tariff or other modifications would be presented to the Commission, in final form, by Liberty as part of its upcoming (December 2024) Default Service rate proposal for the February 2025-July 2025 rate period. We also hereby ORDER Liberty to continue filing its monthly summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for Liberty's Small Customer Group, pursuant to the current timing and format for these reports, in the instant DE 24-061 docket. We also extend our appreciation to Liberty for its ongoing responsiveness and corporate leadership in this process.

As mentioned by the Commission at the September 23 hearing, we remain interested in the technical issues raised by the DOE, and by the OCA in Dr. Vatter's Testimony. There is always scope for improvement of the Default Service process for all of New Hampshire's investor-owned electric utilities, which has been the animating principle for the Commission in recent years-- to provide the best pricing and service outcomes for residential and C&I Default Service customers. To that end, we expect

that a further phase of this proceeding will be launched in the winter of 2025, with an expected hearing date of March 2025, to further consider the technical proposals presented by the Company, the DOE, and the OCA in this proceeding. These would include the potential implementation of hedging strategies; application of more-frequent reconciliations for Default Service; expansion of Small Customer group market-based procurement; and exploration of Dr. Vatter's market-construct concepts, such as the use of futures-market-based procurements.

Based upon the foregoing, it is hereby

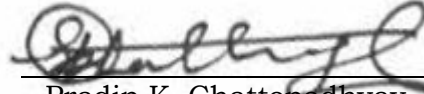
ORDERED, that the Liberty proposal for implementation of a 50 percent ISO-New England market-based supply tranche for its Small Default Service customer group, and a 100 percent ISO-New England market-based supply tranche for its Large Default Service customer group, and the adjustments to its Bad Debt Allocation methodologies for Default Service rates, is APPROVED, for implementation in the February 1, 2024 to July 31, 2025 Default Service period, with the proviso that the Bad Debt methodologies are APPROVED for ongoing implementation in the current (August 2024-January 2025) Default Service period, with modified Tariff pages and any other necessary modifications to be filed as part of Liberty's upcoming Default Service rate proposal for that rate period; and it is

FURTHER ORDERED, that Liberty, for this upcoming default service rate period, is to continue to file in this docket, by the 30th 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.

By order of the Public Utilities Commission of New Hampshire this first day of
October, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket#: 24-061

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