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**Granite State Electric Company
d/b/a Liberty Utilities**

Default Service

ORIGINAL	
N.H.P.U.C. Case No.	DE 13-018
Exhibit No.	#5
Witness	John D. Warshaw
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For the Period Beginning
August 1, 2013

Testimony and Schedules
of
John D. Warshaw

June 20, 2013

Submitted to:
New Hampshire Public Utilities Commission
Docket No. DE 13-018



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

Docket No. DE 13-018

Granite State Electric Company d/b/a Liberty Utilities

**DIRECT TESTIMONY
OF
JOHN D. WARSHAW**

June 20, 2013

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John D. Warshaw, and my business address is 11 Northeastern Blvd., Salem, NH 03079.

Q. Please state your position.

A. I am the Manager, Electric Supply for Liberty Energy Utilities (New Hampshire) Corp. ("Liberty Energy NH") which is the sole shareholder of Granite State Electric Company ("Granite State" or the "Company") and provides services to Granite State. I oversee the procurement of power for Default Service for Granite State as well as the procurement of renewable energy certificates ("RECs").

Q. Please describe your educational background and training.

A. I graduated from the State University of New York Maritime College in 1977 with a Bachelor of Science in Nuclear Science. I received a Master's in Business Administration from Northeastern University in 1986. In 1992, I earned a Master of Arts in Energy and Environmental Management from Boston University.

Q. What is your professional background?

A. In November of 2011, I joined Liberty Energy NH as Manager, Electric Supply for Granite State. Prior to my employment at Liberty Energy NH, I was employed by National Grid USA Service Company ("National Grid") as a Principal Analyst in Energy Supply – New England from 2000 to 2010. In that position I conducted a number of

1 solicitations for wholesale power to meet the needs of National Grid's New England
2 distribution companies. I also administered both short-term and long-term power
3 purchase agreements for National Grid's New England distribution companies. Prior to
4 my employment at National Grid, I was employed at COM/Energy (now NSTAR) from
5 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at
6 COM/Energy responsible for supporting state and federal rate filings. In 1997, I
7 transferred to COM/Electric to work in Power Supply Administration.

8
9 **Q. Have you previously testified before the New Hampshire Public Utilities**
10 **Commission ("Commission")?**

11 A. Yes. I most recently testified before the Commission in Docket DE 13-018 on March 19,
12 2013.

13
14 **Q. Have you testified before any other state regulatory agencies?**

15 A. Yes. I have testified before both the Massachusetts Department of Public Utilities and
16 the Rhode Island Public Utilities Commission regarding electric supply and renewable
17 portfolio procurement activities.

18
19 **II. PURPOSE OF TESTIMONY**

20 **Q. Mr. Warshaw, what is the purpose of your testimony?**

21 A. The purpose of my testimony is to request Commission approval of Granite State's
22 proposed Default Service rates for the Large and Medium Commercial and Industrial

1 Customer Group (“Large Customer Group”¹) for the three-month period August 1, 2013
2 through October 31, 2013. My testimony will describe the process used by Granite State
3 to procure Default Service for the Large Customer Group, the proposed Default Service
4 rates, how the Company proposes to meet its 2013 Renewable Portfolio Standard
5 (“RPS”) obligation and the resulting Renewable Portfolio Standard Adder for service
6 rendered on and after August 1, 2013.

7
8 **III. DEFAULT SERVICE BIDDING PROCESS**

9 **Q. Mr. Warshaw, why does Granite State need to procure Default Service for the**
10 **Large Customer Group for the period beginning August 1, 2013?**

11 A. Pursuant to the procurement process approved by the Commission, which I describe later
12 in my testimony, Granite State procures power supply through contracts having a three-
13 month term for the Large Customer Group. Granite State’s currently effective Default
14 Service supply contracts for the Large Customer Group expire on July 31, 2013.
15 Therefore, to assure that Default Service will continue to be available, Granite State
16 requires a new Default Service supply arrangement beginning August 1, 2013.

17
18 **Q. Please describe the process Granite State used to procure its Default Service supply**
19 **for the period beginning August 1, 2013.**

20 A. Granite State conducted its procurement of Default Service supply in accordance with
21 applicable law and Commission directives. The Company complied with the solicitation,

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 bid evaluation and procurement process set forth in the Settlement Agreement dated
2 November 18, 2005, which agreement was approved by the Commission in Order No.
3 24,577 (“Order”) on January 13, 2006 in Docket DE 05-126 and amended by Order No.
4 24,922 in Docket DE 08-011 (as amended, the “Settlement Agreement”). Granite State
5 issued a request for proposals (“RFP”) for certain power supply services and sought a
6 supplier for Granite State’s Default Service covering the Large Customer Group.

7
8 **Q: Was the Company’s solicitation for the period beginning August 1, 2013 consistent**
9 **with the Company’s prior solicitations for Default Service?**

10 A. Yes, Granite State’s Default Service RFP was conducted in a manner similar to previous
11 solicitations. This process is consistent with the process approved by the Commission in
12 the Order as well as with Granite State’s past procurements.

13
14 **Q. Could you describe the nature of the RFP that Granite State issued?**

15 A. On May 10, 2013, Granite State issued a RFP to approximately twenty-five potential
16 suppliers soliciting power supplies for the period August 1, 2013 through October 31,
17 2013. Granite State also distributed the RFP to all members of the New England Power
18 Pool (“NEPOOL”) Markets Committee and posted the RFP on Granite State’s energy
19 supply website. As a result, the RFP had wide distribution throughout the New England
20 energy supply marketplace. The RFP requested fixed pricing for each month of service
21 on an as-delivered energy basis. Prices could vary by month and by service – that is, the
22 prices did not have to be uniform across the entire service period or between the two
23 customer groups. A copy of the RFP is provided as Schedule JDW-1.

1 **Q. Are the Company's Default Service rates consistent with least cost resource**
2 **planning?**

3 A. Yes. As indicated during the hearing held before the Commission on December 19, 2012
4 in Docket DE 12-023 (Default Service proceeding) and in the Company's previous
5 Default Service filings, the Company has conducted its Default Service RFP process in a
6 manner that complies with RSA 378:41 and conforms to least cost planning principles by
7 proposing Default Service rates resulting from a competitive bidding process. This is
8 consistent with least cost planning goals, which are to minimize costs in the procurement
9 of energy.
10

11 **IV. RESULTS OF DEFAULT SERVICE BIDDING**

12 **Q. Mr. Warshaw, did Granite State receive responses to the RFP?**

13 A. Yes. Indicative proposals were received on June 11, 2013. Final proposals were
14 received on June 18, 2013. None of the bidders made their provision of Granite State's
15 Default Service contingent upon the provision of any other service. A summary of the
16 RFP process and bid evaluation is included in Schedule JDW-2.
17

18 **Q. How do the current futures prices for electricity and natural gas compare to the**
19 **futures prices at the time of the Company's December 14, 2012 and March 15, 2013**
20 **solicitations?**

21 A. The futures market prices for electricity and natural gas at the time of the December 11,
22 2012 and March 12, 2013 solicitations as well as current futures market prices are shown
23 in Schedule JDW-3. These are the two most recent solicitations for the Large Customer

1 Group.

2
3 **Q. Did Granite State select any of the proposals received in response to the RFP?**

4 A. Yes. Granite State evaluated the bids received and selected the supplier that: (i)
5 provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the
6 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On
7 June 18, 2013, Granite State entered into a wholesale Transaction Confirmation with
8 Dominion Energy Marketing, Inc. ("Dominion"), the winning bidder for the Large
9 Customer Group block, to provide Default Service to the Large Customer Group for the
10 three-month period August 1, 2013 through October 31, 2013. Together, a Transaction
11 Confirmation and a Master Power Agreement provide the terms for the purchase of
12 Default Service from a supplier. A copy of the Dominion Master Power Agreement was
13 filed with the Commission on March 16, 2009 in Docket DE 09-010. A copy of the First
14 Amendment to the Master Power Agreement was filed with the Commission on
15 September 20, 2010 in Docket DE 10-020. The Transaction Confirmation between
16 Granite State and Dominion, with certain confidential sections redacted, is attached
17 hereto as Schedule JDW-4.

18
19 **V. RENEWABLE PORTFOLIO STANDARD**

20 **Q. Mr. Warshaw, what is the RPS obligation for 2013?**

21 A. As specified in the RPS law, RSA 362-F, and in Order No. 25,484 the RPS obligation for
22 calendar year 2013 requires that a minimum of six and eight tenths percent (6.8%) of
23 Granite State's Default Service load come from renewable resources, of which at least

1 three and eight tenths percent (3.8%) can come from Class I New Renewable Energy
2 Resources, at least two tenths percent (0.2%) can come from Class II Solar Energy
3 Resources, at least one and one-half percent (1.5%) can come from Class III Existing
4 Renewable Energy Resources and at least one and three tenths percent (1.3%) can come
5 from Class IV Existing Renewable Energy Resources.
6

7 **Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS**
8 **rules as promulgated by the Commission?**

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

1 **Q. If a winning bidder's RPS compliance adder is accepted, how would the bidder**
2 **satisfy the RPS obligation?**

3 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
4 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
5 class obligation to the Company's NEPOOL-GIS account, or it must pay the Company
6 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
7 multiplying the RPS obligation percentage for each REC class by the electricity sales for
8 the term of the transaction.

9
10 **Q. What were the criteria Granite State used to evaluate the RPS compliance adders**
11 **provided by the bidders?**

12 A. The winning bidder did not submit a RPS compliance adder. Granite State plans to issue
13 a request for proposal in the future for the acquisition of RECs. If Granite State is unable
14 to purchase sufficient RECs to meet its New Hampshire RPS obligations, it will then,
15 consistent with the RPS rules, make an ACP to the state of New Hampshire's Renewable
16 Energy Fund. The bidders' RPS compliance adders can be found in Exhibit 10 of
17 Schedule JDW-2.

18
19 **Q. Is Granite State proposing any changes to the RPS compliance adders at this time?**

20 A. Yes. Due to the change in 2013 RPS obligations in Order No. 25,484, which deferred the
21 Class I Useful Thermal Requirement for one year to start in 2014 and adjusted the Class
22 III Existing Biomass/Methane Facilities Requirement downward to 1.5% of 2013 electric
23 sales, Granite State is proposing to change the RPS compliance adder at this time.

1
2 **Q. How did Granite State calculate the Renewable Portfolio Standard Adder?**

3 A. As shown in Schedule JDW-5, Granite State used the recent 2013 market prices for all
4 REC Classes. Market prices were provided by REC price summaries distributed by
5 brokers. The retail RPS costs were calculated on a per MWh basis. The Company
6 divided the calculated costs by ten in order to convert from a \$ per MWh retail cost to a ¢
7 per kWh rate for retail use.
8

9 **Q. What happens if Granite State's actual RPS compliance costs are different from**
10 **that used in calculating the RPS compliance adder?**

11 A. Granite State reconciles its costs of RPS compliance with the revenue billed to customers
12 from the RPS compliance adder. This reconciliation occurs as part of this filing which
13 contains the annual default service reconciliation.
14

15 **Q. Has Granite State been able to contract for RECs?**

16 A. Yes. In October 2012, Granite State issued a request for proposal to procure RECs to
17 approved New Hampshire renewable generators, generators in the process of applying for
18 approval to generate New Hampshire RECs, as well as other REC suppliers, for its 2012
19 and 2013 RPS obligations. The Company received bids for RECs and contracted for
20 Class I and Class IV obligations for 2012 and Class I obligations for 2013. Granite State
21 shared the results of this request for proposal with Staff
22

1 **Q. When will Granite State issue the next REC request for proposal?**

2 A. Granite State plans to issue a REC request for proposal in the summer of 2013 to procure
3 RECs to satisfy the 2013 RPS obligations. Granite State will attempt to procure the
4 quantity of RECs necessary to satisfy the 2013 obligations for load that will be serviced
5 under Default Service supply contracts.
6

7 **VI. DEFAULT SERVICE COMMODITY COSTS**

8 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**
9 **Granite State's expected procurement cost used to develop the proposed retail rates.**

10 A. The load-weighted average of the power supply costs for the Large Customer Group is
11 6.271¢ per kWh compared to the load-weighted average of 6.389 ¢ per kWh for the
12 period May 2013 through July 2013. The power supply costs at the retail customer meter
13 (¢ per kWh) were calculated by multiplying the commodity prices at the wholesale level
14 (\$ per MWh) by the applicable loss factor and then dividing the results by ten. The
15 applicable loss factors can be found in the RFP summary in Schedule JDW-2. The loss
16 factor is a calculated ratio of wholesale purchases to retail deliveries.
17

18 **Q. How will Granite State reconcile any difference in costs associated with Default**
19 **Service?**

20 A. To the extent that the actual cost of procuring Default Service vary from the amounts
21 billed to customers for the service, Granite State will continue to reconcile the difference
22 through a reconciliation mechanism pursuant to Granite State's Default Service
23 Adjustment Provision contained in its currently effective Retail Delivery Tariff.

VII. SUMMARY OF DEFAULT SERVICE RATES

Q. Please summarize the proposed Default Service rates resulting from the Default Service procurement, adjusted by the factors which Granite State is proposing to implement for service rendered on and after August 1, 2013.

A. As I describe in more detail later in my testimony, Granite State proposes to implement the following Default Service rates beginning August 1, 2013, for service rendered on and after that date:

	Medium & Large C&I		
	August	September	October
Base Default Service Rate	6.262 ¢	5.661 ¢	5.942 ¢
2013 Default Service Adjustment Factor	0.087 ¢	0.087 ¢	0.087 ¢
Default Service Cost Reclassification Adjustment Factor	0.039 ¢	0.039 ¢	0.039 ¢
Renewable Portfolio Standard ("RPS") Adder	0.290 ¢	0.290 ¢	0.290 ¢
Total Default Service Rate	6.678 ¢	6.077 ¢	5.942 ¢

The Default Service rates which the Company proposes to bill its customers receiving Default Service are also summarized in Schedules JDW-6.

VIII. BASE DEFAULT SERVICE RATES

Q. What are the “base” Default Service rates that the Company is proposing for service rendered on and after August 1, 2013?

A. Consistent with the Settlement Agreement, Granite State is proposing monthly base Default Service rates for the Large Customer Group based on the three monthly contract prices contained in the supply agreement with the winning Default Service supplier for the Large Customer Group. As shown on line (5) of Schedule JDW-6, page 1, the proposed base Default Service rates for the Large Customer Group are 6.678 ¢ per kWh, 6.077 ¢ per kWh, and 5.942 ¢ per kWh for the months of August 2013, September 2013 and October 2013, respectively.

IX. EFFECTIVE DATE AND BILL IMPACT

Q. How and when is the Company proposing that these rate changes be implemented?

A. Consistent with the Commission’s rules on the implementation of rate changes, the Company is proposing that all of the above rate changes be made effective for service rendered on and after August 1, 2013.

Q. Has the Company determined the impact of these rate changes on customer bills?

A. Yes. These bill impacts are included in Schedule JDW-7. Schedule JDW-16 shows the impact on customers in the Large Customer Group., The Company has provided bill impacts for illustrative load-weighted rates. The bill impacts for the three-month period ending October 2013 are decreases ranging from 5.5% to 6.6% as compared to the three-month period ending July 2013 (see pages 1 to 7 of Schedule JDW-7).

1 **Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the**
2 **proposed rates?**

3 A. Yes. It is included as Schedule JDW-8. The Summary of Rates tariff page reflects the
4 proposed Default Service rate changes contained in this filing. Upon receiving an order
5 in this proceeding, the Company will file a Seventh Revised Page 84, Summary of Rates,
6 reflecting the appropriate approved rates.

7
8 **Q. Has the Company included the most recent quarterly report of migration**
9 **information based on monthly migration by customer class and load, as required by**
10 **the Commission's Order No. 24,715 in Docket DE 06-115?**

11 A. The quarterly report of customer migration information for the first quarter of calendar
12 year 2013 is included as Schedule JDW-9.

13
14 **X. RGGI REBATE**

15 **Q. Did Granite State include a calculation of any RGGI Rebate revenue it has received**
16 **from the State of New Hampshire in the Default Service rates proposed in this**
17 **filing?**

18 A. No. Granite State will include a calculation of a RGGI rebate applicable to all of its
19 Default Service customers in the next scheduled Default Service filing, consistent with
20 Order No. 25,471. Because this proceeding is setting rates for only the Large Customer
21 Group, the Company thought it was prudent to wait until the next default service filing to
22 address the RGGI Rebate so that all customer classes could be addressed. Granite State
23 will include any applicable interest to such revenues when calculating a RGGI rebate.

XI. CONCLUSION

Q. Mr. Warsaw, when will Granite State issue the next RFP for Default Service?

A. Both the Large Customer Group rates proposed in this filing and the Small Customer Group Rates end on October 31, 2013. Per the terms of the Settlement Agreement, Granite State will issue a RFP for both groups in August 2013. For purposes of notice to the Commission, the following table illustrates Granite State's proposed timeline for the next RFP:

RFP Process Steps	September 2013 RFP
RFP Issued	August 9, 2013
Indicative Bids Due	September 3, 2013
Final Bids Due	September 10, 2013
Contract Execution	September 10, 2013
Default Service Filing to Commission	September 13, 2013
Commission Order Needed	September 20, 2013
Service Begins	November 1, 2013

Q. Does this conclude your testimony?

A. Yes. It does.