

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

Docket No. DE 16-249

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2016 to January 31, 2017

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

JUNE 20, 2016

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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, NH 03053.

5 **Q. Please state your position.**

6 A. I am the Manager, Electric Supply for Liberty Utilities Service Corp. (“Liberty” or the
7 “Company”) which provides services to Liberty Utilities (Granite State Electric) Corp.
8 (“Granite State” or the “Company”). I oversee the procurement of power for Energy
9 Service for Granite State as well as the procurement of renewable energy certificates
10 (“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 of 2011, I joined Liberty as Manager, Electric Supply for Granite State.
18 Prior to my employment at Liberty Utilities Service Corp., I was employed by National
19 Grid USA Service Company (“National Grid”) as a Principal Analyst in Energy Supply –
20 New England from 2000 to 2010. In that position I conducted a number of solicitations
21 for wholesale power to meet the needs of National Grid’s New England distribution

1 companies. I also administered both short-term and long-term power purchase
2 agreements for National Grid's New England distribution companies. Prior to my
3 employment at National Grid, I was employed at COM/Energy (now NSTAR) from 1992
4 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at COM/Energy
5 responsible for supporting state and federal rate filings. In 1997, I transferred to
6 COM/Electric to work in Power Supply 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 16-346 on April
10 18, 2016.

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 request Commission approval of Liberty Utilities'
18 proposed Energy Service rates for both (i) the Large and Medium Commercial and
19 Industrial Customer Group ("Large Customer Group"¹) and the (ii) the Residential and

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 Small Commercial Customer Group (“Small Customer Group”²) for the six-month period
2 August 1, 2016 through January 31, 2017. My testimony will describe the process used
3 by Liberty Utilities to procure Energy Service for both the Large and Small Customer
4 Groups, the proposed Energy Service rates, how the Company proposes to meet its 2016
5 and 2017 Renewable Portfolio Standard (“RPS”) obligations and the resulting Renewable
6 Portfolio Standard Adder for service rendered on and after August 1, 2016.

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

8 A. Schedule JDW-1 Energy Service RFP August 1, 2016 through January 31, 2017
9 Schedule JDW-2 Energy Service Procurement Summary
10 Schedule JDW-3 Comparison of Change in Futures Prices to Change in Procurement
11 Costs
12 Schedule JDW-4 Energy Service Contract for the Large Customer Group August 1,
13 2016 through January 31, 2017
14 Schedule JDW-5 Energy Service Contract for the Small Customer Group August 1,
15 2016 through January 31, 2017
16 Schedule JDW-6 Summary of September 2015 RPS Solicitation

17 **III. Energy Service Bidding Process**

18 **Q. Mr. Warshaw, why does Liberty Utilities need to procure Energy Service for both**
19 **the Large and Small Customer Groups for the period beginning August 1, 2016?**

20 A. Pursuant to the procurement process approved by the Commission, which I describe later
21 in my testimony, Liberty Utilities procures power supply through contracts having a
22 three-month term for the Large Customer Group and a six-month term for the Small
23 Customer Group. Liberty Utilities’ currently effective Energy Service supply contracts

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 for both the Large and Small Customer Groups expire on July 31, 2016. Therefore, to
2 assure that Energy Service will continue to be available, Liberty Utilities requires new
3 Energy Service supply arrangements beginning August 1, 2016.

4 **Q. Please describe the process Liberty Utilities used to procure its Energy Service**
5 **supply for the period beginning August 1, 2016.**

6 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with
7 applicable law and Commission directives. The Company complied with the solicitation,
8 bid evaluation and procurement process set forth in the Settlement Agreement dated
9 November 18, 2005, which agreement was approved by the Commission in Order No.
10 24,577 (“Order”) on January 13, 2006 in Docket No. DE 05-126, amended by Order No.
11 24,922 in Docket No. DE 08-011, amended by Order No. 25,601 in Docket No. DE 13-
12 018 and further amended by Order No. 25,806 in Docket No. DE 15-010 (as amended,
13 the “Settlement Agreement”). On May 9, 2016, Liberty Utilities issued a request for
14 proposals (“RFP”) for certain power supply services and sought suppliers for Liberty
15 Utilities’ Energy Service covering both the Large and Small Customer Groups.

16 **Q. Was the Company’s solicitation for the period beginning August 1, 2016 consistent**
17 **with the Commission approved process for Energy Service?**

18 A. Yes, Liberty Utilities’ Energy Service RFP was conducted consistent with the
19 Commission approved process.

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

2 A. On May 9, 2016, Liberty Utilities issued a RFP to approximately twenty-five potential
3 suppliers soliciting power supplies for the period August 1, 2016 through January 31,
4 2017. Liberty Utilities also distributed the RFP to all members of the New England
5 Power Pool (“NEPOOL”) Markets Committee and posted the RFP on Liberty Utilities’
6 energy supply website. As a result, the RFP had wide distribution throughout the New
7 England energy supply marketplace. The RFP requested fixed pricing for each month of
8 service on an as-delivered energy basis. Prices could vary by month and by service—that
9 is, the prices did not have to be uniform across the entire service period or between the
10 three load blocks. A copy of the RFP is provided as Schedule JDW-1.

11 **IV. Results of Energy Service Bidding**

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

13 A. Yes. Indicative proposals were received on June 7, 2016. Final proposals were received
14 on June 14, 2016. None of the bidders made their provision of Liberty Utilities’ Energy
15 Service contingent upon the provision of any other service.

16 **Q. Was participation in this RFP similar to past RFPs?**

17 A. Yes. A similar number of bidders provided final prices as in the last solicitation.

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 previous two solicitations?**

20 A. The futures market prices for electricity and natural gas at the time of the March 17, 2015
21 and August 20, 2015 solicitations as well as current futures market prices are shown in

1 Schedule JDW-3. These are the most recent solicitations for the Small Customer Group.
2 As shown, current electric wholesale prices are lower when compared to the previous six-
3 month periods. Due to the change in service periods for this solicitation, the August 1,
4 2015 to January 31, 2017 prices are a blend of the two previous solicitations. The
5 direction of the change is consistent between the final retail prices and wholesale electric
6 futures.

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

8 A. Yes. Liberty Utilities evaluated the bids received and selected the two suppliers that: (i)
9 provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the
10 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On
11 June 14, 2016, Liberty Utilities entered into a wholesale Transaction Confirmation with
12 Energy America, LLC (“EA”), the winning bidder for the two Large Customer Group
13 blocks, to provide Energy Service to the Large Customer Group for the six-month period
14 August 1, 2016 through January 31, 2017 and with TransCanada Power Marketing, LTD.
15 (“TCPM”) to provide Energy Service to the Small Customer Group for the six-month
16 period August 1, 2016 through January 31, 2017. Together, a Transaction Confirmation
17 and a Master Power Agreement provide the terms for the purchase of Energy Service
18 from a supplier.

19 A copy of the EA Master Power Agreement was filed with the Commission on
20 September 22, 2014 in Docket No. DE 14-031) (Energy Service proceeding). The
21 Transaction Confirmation between Liberty Utilities and EA, with certain confidential
22 sections redacted, is attached hereto as Schedule JDW-4. A copy of the TCPM Master

1 Power Agreement was filed with the Commission on March 16, 2009 in Docket DE 09-
2 010. The Transaction Confirmation between Granite State and TCPM, with certain
3 confidential sections redacted, is attached hereto as Schedule JDW- 5.

4 **V. Renewable Portfolio Standard**

5 **Q. Mr. Warshaw, what are the RPS obligations for 2016 and 2017?**

6 A. As specified in the RPS law, RSA 362-F, a provider of electricity must obtain and retire
7 certificates sufficient in number and class type to meet the following minimum
8 percentages of total megawatt-hours of electricity supplied by the provider to its
9 customers that year:

10

NH-RPS Classes	2016	2017
RPS Class I	5.6%	6.4%
RPS Class I Thermal	1.3%	1.4%
RPS Class II	0.3%	0.3%
RPS Class III	0.5%	8.0%
RPS Class IV	1.5%	1.5%
Total	9.2%	17.6%

11 **Q. How does Liberty Utilities expect to satisfy its RPS obligations consistent with the**
12 **RPS rules as promulgated by the Commission?**

13 A. On February 18, 2009, Liberty Utilities entered into an amended settlement agreement
14 with the Commission Staff and the Office of Consumer Advocate intended to resolve all
15 issues associated with the process by which Liberty Utilities would comply with the
16 requirements of the RPS law and the Puc 2500 rules (“Amended RPS Settlement”). The
17 Amended RPS Settlement was approved by the Commission on March 23, 2009 in Order

1 No. 24,953 in Docket No. DE 09-010. The Company may satisfy RPS obligations by
2 providing either RECs for each RPS class from the New England Power Pool Generation
3 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance
4 Payment (“ACP”) to the State of New Hampshire’s Renewable Energy Fund. As
5 specified in the Amended RPS Settlement, Liberty Utilities requested bidders to provide
6 a separate RPS compliance adder with their bids. This RPS compliance adder is the
7 incremental charge by a bidder for agreeing to take on the RPS obligation with the
8 Energy Service obligation.

9 **Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder**
10 **satisfy the RPS obligation?**

11 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
12 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
13 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company
14 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
15 multiplying the RPS obligation percentage for each REC class by the electricity sales for
16 the term of the transaction.

17 **Q. What were the criteria Liberty Utilities used to evaluate the RPS compliance adder**
18 **provided by the bidder?**

19 A. While some of the bidders submitted RPS compliance adders, they were not the lowest
20 cost supplier and thus not selected.

1 **Q. Is Liberty Utilities proposing any changes to the RPS compliance adder at this time?**

2 A. Yes. Liberty Utilities is proposing to change the Commission-approved RPS compliance
3 adder to reflect the results of its recent RPS solicitations to meet the RPS obligations of
4 2016 and 2017. Liberty Utilities issued a request for proposals on May 9, 2016 for the
5 acquisition of New Hampshire RPS compliant RECs to meet its 2016 obligations. Since
6 this RFP only includes one month of 2017, Liberty Utilities elected to not seek bids for
7 its 2017 RPS obligations. The results of Liberty Utilities' May 9, 2016 solicitation are
8 included in Schedule JDW-2, Exhibit 10. Liberty Utilities proposes to use a combination
9 of the bid prices of RPS classes it received in its September 2015 and May 2016 RPS
10 solicitations and the applicable ACP for those RPS classes that did not receive bids in its
11 RPS solicitations.

12 **Q. How did Liberty Utilities calculate the Renewable Portfolio Standard Adder?**

13 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used a combination of prices
14 it received in its RPS solicitation and ACPs. The retail RPS costs were calculated on a
15 per megawatt-hour (MWh) basis. The Company divided the calculated costs by ten in
16 order to convert from dollars per MWh retail cost to cents per kilowatt-hour (kWh) rate
17 for retail use.

18 **Q. What happens if Liberty Utilities' actual RPS compliance costs are different from
19 those used in calculating the RPS compliance adder?**

20 A. As described in Ms. Tebbetts' testimony, Liberty Utilities reconciles its costs of RPS
21 compliance with the revenue billed to customers from the RPS compliance adder. This

1 reconciliation occurs as part of the annual Energy Service reconciliation that is included
2 in Ms. Tebbetts' testimony.

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

4 A. Yes. In September and October 2015, Liberty Utilities was able to contract for Class I,
5 Class II, and Class IV RECs to help meet a portion of its 2016 RPS obligations. A
6 summary of the results of Liberty Utilities' August 16, 2015 RPS solicitation is included
7 in Schedule JDW-6. At this time, Liberty Utilities has completed its analysis of the bids
8 but has not started contract negotiations with the bidders. Liberty Utilities will notify the
9 winning bidders by June 30, 2016 and begin contract negotiations and will provide an
10 update in the next Energy Service filing scheduled for December 2016. If Liberty
11 Utilities is unable to purchase sufficient RECs to meet its New Hampshire RPS
12 obligations, it will then, consistent with the RPS rules, make an ACP to the State of New
13 Hampshire's Renewable Energy Fund.

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

15 A. Liberty Utilities plans to issue a RPS solicitation in November 2016 to procure RECs to
16 satisfy the 2016 and 2017 RPS obligations. Through that solicitation, Liberty Utilities
17 will attempt to procure the quantity of RECs necessary to satisfy the 2016 and 2017
18 obligations for load that will be serviced under Energy Service supply contracts.

1 **VI. Energy Service Commodity Costs**

2 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**
3 **Liberty Utilities' expected procurement cost used to develop the proposed retail**
4 **rates.**

5 A. The load-weighted average of the power supply costs for the Large Customer Group for
6 August 1, 2016 through January 31, 2017 is 6.861¢ per kWh compared to the load-
7 weighted average of 7.618¢ per kWh for the period November 1, 2015 through July 31,
8 2016. The load-weighted average of the power supply costs for the Small Customer
9 Group for August 1, 2016 through January 31, 2017 is 6.868¢ per kWh compared to the
10 load-weighted average of 8.252¢ per kWh for the period November 1, 2015 through July
11 31, 2016. The power supply costs at the retail customer meter (¢ per kWh) were
12 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by
13 the applicable loss factor and then dividing the results by ten. The applicable loss factors
14 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated
15 ratio of wholesale purchases to retail deliveries.

16 **Q. How will Liberty Utilities reconcile any difference in costs associated with Energy**
17 **Service?**

18 A. As discussed by Ms. Tebbetts, to the extent that the actual cost of procuring Energy
19 Service varies from the amounts billed to customers for the service, Liberty Utilities will
20 continue to reconcile the difference through a reconciliation mechanism pursuant to
21 Liberty Utilities' Energy Service Adjustment Provision contained in its currently
22 effective Retail Delivery Tariff.

1 **VII. CONCLUSION**

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

3 A. Both the Large Customer Group rates proposed in this filing and the Small Customer
4 Group Rates end on January 31, 2017. Per the terms of the Settlement Agreement,
5 Liberty Utilities will issue a RFP for both groups in November 2016. For purposes of
6 notice to the Commission, the following table illustrates Liberty Utilities' proposed
7 timeline for the next RFP:

8

RFP Process Steps	November 2016 RFP
RFP Issued	November 1, 2016
Indicative Bids Due	November 30, 2016
Final Bids Due	December 7, 2016
Contract Execution	December 9, 2016
Energy Service Filing to Commission	December 12, 2016
Commission Order Needed	December 19, 2016
Service Begins	February 1, 2017

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

10 A. Yes, it does.