

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

IR 22-053

ELECTRIC AND GAS UTILITIES

Investigation of Energy Commodity Procurement (Renewable Portfolio Standard; Default Service Electric Power; Cost of Gas) Methodology and Process

Comments of Liberty Utilities (Granite State Electric) Corp. and Liberty Utilities (EnergyNorth Natural Gas) Corp.

**I. INTRODUCTION**

The Commission opened this docket by Order of Notice dated September 6, 2022, because the events of 2022 have “brought to the fore an increasing cost structure for most if not all categories of energy commodities procured by the utilities regulated by the Commission.” Order of Notice at 1. The Commission stated that it was opening this docket “to examine all pertinent aspects of RPS, Default Service, and COG procurements in New Hampshire, and related Commission processes” to determine if the Commission could take any steps regarding these procurements that may moderate the high prices customers are seeing in their electric energy, gas, and RPS obligations:

This investigation will review questions related to: the processes related to RPS, Default Service including impacts of CPAs, and COG procurements by utilities; the ratemaking and calculation methodologies used for same; and the processes used by the Commission and participating parties for developing data and recommendations. Accordingly, this docket will examine, inter alia, issues related to RSA 374:2; 374:4; 374:8; 374:10; 374:11; 374:13; 378:5; 378:7; 378:8; RSA Chapter 53-E; RSA Chapter 362-F; and RSA Chapter 374-F, including, but not necessarily limited to:

1. The timing and other approaches historically used by New Hampshire utilities for RPS, Default Service, and COG procurements, and data regarding outcomes correlated with different approaches;
2. Potential enhancements to Commission review proceedings for RPS, Default Service, and COG matters, including timing of RPS, Default Service, and COG filings and proposed rate effective dates;
3. A comparison of different United States jurisdictions with regards to these issues and the approaches used;
4. New Hampshire electric and gas utilities' internal planning approaches to these issues; and
5. The potential to leverage a regional approach to these procurements coordinated by the parent companies of these New Hampshire utilities, which have affiliates in other New England states (e.g. Maine, Massachusetts, Connecticut) and through ISO-New England markets.

Order of Notice at 3.

The Commission asked that utilities and others file comments on these topics by September 26, 2022, “so that the presiding officer can address any matters on which there is disagreement during the prehearing conference.” Liberty’s comments follow.

## **II. GENERAL COMMENTS**

Liberty fully appreciates, and shares, the Commission’s concerns over increasing costs of electricity and natural gas. Liberty is fully committed to balancing its obligation to provide safe and reliable energy supply and gas at the lowest reasonable rates. And Liberty embraces the Commission’s interest in examining current procurement practices so all may determine whether there are workable improvements. To optimize this investigation, Liberty respectfully asks the Commission more specifically define its goals for this docket.

As all are aware, the prices of electricity and natural gas in New Hampshire travel together because electricity generated from natural gas usually sets the market price for

electricity in New England. And given the substantial constraints on pipeline gas in New England (especially for Liberty literally being at the very end of the sole transmission line connected to its service territory), natural gas and electricity prices in New England are among the highest and most volatile in the country. Combined with the world events over the past 12 months, New England is suffering under the highest prices in decades.

Relevant to this docket, however, it is important to acknowledge what the Commission and the New Hampshire utilities can – and cannot – do to affect those prices.

As described below, the goal of Liberty’s procurement practices is to obtain the relevant commodity in a manner that, first, ensures reliable supply and, second, does so at the lowest price. Liberty’s practices call for the Companies to reach into the wholesale market via RFPs to obtain the lowest price available for delivery to its distribution systems. Liberty’s pricing is thus entirely subject to the prevailing wholesale market prices for those commodities. It is these wholesale prices that have always varied, mostly due to weather, and have increased dramatically and erratically over the past year due to the war in Ukraine and related global events. These causes are unrelated to and unaffected by how Liberty procures electricity and gas. Liberty and the other New Hampshire gas and electric utilities have little ability to influence those markets and their prices.

With the understanding that Liberty’s procurement processes aim to achieve near-market pricing for its customers for electricity, gas, and RECs, and that the Liberty companies (and the other New Hampshire utilities) are price takers, not price makers, it would be helpful if the Commission expresses its goals for this docket.

Is it the Commission’s intent to have customers pay commodity prices that are as close to market price as possible based? If so, for example, perhaps the practice of electric utilities

obtaining six-month fix-priced contracts for residential customers could be re-examined. Is it the Commission's intent, rather, to insulate customers from the dramatic price swings and peak prices, understanding that such certainty comes at a cost? If so, for example, perhaps the electric utilities could extend the time of their fixed price contracts or ladder several such contracts over longer periods of time.

Clarity from the Commission would better inform how this investigation should proceed. Liberty thus asks that the Commission refine its goals for this docket.

In conducting this investigation, Liberty asks the Commission to segregate the various commodities – electric and gas in Liberty's case. Those commodities are subject to different wholesale markets, different rules, they are currently acquired and priced differently for customers, and the ability to reach more players in the wholesale market differs between the two commodities (nearly any supplier can serve the electric utilities, but gas utilities are limited by the composition of their capacity and supply portfolios).

REC procurement could reasonably remain with the electric utilities as the relevant personnel overlap at Liberty.

Liberty thus suggests it may be more productive to separate this investigation by commodity.

### **III. SPECIFIC QUESTIONS**

With the above context, Liberty offers the following initial comments to the questions posed in the Order of Notice.

**Question 1 - The timing and other approaches historically used by New Hampshire utilities for RPS, Default Service, and COG procurements, and data regarding outcomes correlated with different approaches; and Question 4 - New Hampshire electric and gas utilities' internal planning approaches to these**

## issues

Liberty's process to procure electricity has been consistent for many years. Liberty issues RFPs to obtain "full requirements" service for its customers for a six-month period (February 1 to July 31, and August 1 to January 31), divided into three categories. The first is a flat six-month rate for residential customers. The second and third are each for a three-month period and can fluctuate each month. Once committed and approved, these rates do not change for the duration of the relevant period regardless of what happens in the broader wholesale market. The suppliers assume those risks and price their bids accordingly.

Liberty conducts its procurement of energy service supply in accordance with applicable law and Commission directives. The Company complied with the solicitation, bid evaluation, and procurement process set forth in the Settlement Agreement dated November 18, 2005, which agreement 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 (as amended through these subsequent orders, the "Settlement Agreement"). *See* Testimony of John Warshaw, Docket No DE 22-024, for a detailed description of the Company's procurement process.

The Commission has found this practice to comply with the restructuring statute's requirement that electricity pricing be market based. *See* RSA 374-F:3, III ("Generation services should be subject to market competition and minimal economic regulation"). *See, e.g.,* Order No. 26,643 (June 20, 2022).

Liberty's procurement of RECs is also well-established. Liberty conducts several RFPs each year for contracts to purchase the necessary RECs directly from the generator that issues

the RECs. Based on the responses to these RFPs, Liberty also includes in its electric supply RFPs an option for bidders to include an RPS “adder” in their responses to have the supplier be responsible for REC compliance. Based on the responses to the REC specific RFPs and based on the applicable alternative compliance payment (ACP), Liberty determines how to achieve RPS compliance at the lowest cost – whether from direct REC purchases, through an RPS adder, by making ACPs, or through a combination of these methods. *See* Testimony of John Warshaw in Docket No. DE 21-087 for a thorough description of the REC procurement process.

Note that procurement of RECs has been particularly difficult in recent years as the REC requirements have often changed, sometimes at the end of the compliance period. *See* Order No. 26,472 (April 20, 2021) (modifying the Class III requirement from 8% to 2% for the compliance year ending on June 30, 2021).

As for Liberty’s procurement of natural gas supplies, Liberty has a portfolio of gas supply and capacity contracts, propane and LNG supply and related trucking contracts, and asset management agreements to assure that it will have adequate, sufficient, and reliable supply to meet its projected demand. Liberty’s practice is to secure most of its gas supply and asset management services through RFPs for various terms and in various quantities to maximize Liberty’s access to the lower cost pricing points in the Gulf of Mexico, the Marcellus region, and Canada, and to minimize Liberty’s exposure to the highly volatile and expensive market point in Dracut, at which a large portion of Liberty’s design day capacity requirements rest.

The two Liberty companies are prepared to discuss details of their present planning and procurement processes as necessary in this docket. Liberty considers the procurement and

planning processes they currently use to be consistent with New Hampshire law and policy.

**Question 2 - Potential enhancements to Commission review proceedings for RPS, Default Service, and COG matters, including timing of RPS, Default.**

Liberty recognizes the burden that the abbreviated nature of the energy service and cost of gas dockets places on the Commission and all parties. However, it is likely a necessary evil given the market nature of the prices and rates being reviewed. Liberty is certainly willing to work with the Commission and parties to find and implement improvements.

**Question 3. A comparison of different United States jurisdictions with regards to these issues and the approaches used.**

Liberty is aware of the approaches used in other jurisdictions but has not conducted a comprehensive survey or comparison. Differences in weather, customer mix, regulatory and legal policy, distribution system limitations, and other factors may make any meaningful comparisons with other jurisdictions difficult.

For example, Liberty's electric affiliate in the Midwest is vertically integrated, and Liberty's electric affiliate in California is subject to very different legal and regulatory requirements than in New Hampshire. As for gas procurement, each of Liberty's gas affiliates are connected to different transmission lines at different points along those lines and thus have access to different suppliers and, of course, are subject to different state commissions.

Thus, this is another area where it would be helpful to better understand the Commission's goals before performing any such evaluation.

**Question 4. New Hampshire electric and gas utilities' internal planning approaches to these issues.**

Such approaches are described in the testimony regularly filed in the energy service and cost of gas proceedings. During this docket, Liberty will provide details of the Companies' internal planning approaches as requested by the Commission and parties.

**Question 5 - The potential to leverage a regional approach to these procurements coordinated by the parent companies of these New Hampshire utilities, which have affiliates in other New England states (e.g., Maine, Massachusetts, Connecticut) and through ISO-New England markets.**

For the reasons referenced above, any coordinated procurement for various Liberty affiliates would likely not be possible. At a minimum, the various commissions would each have to approve whatever method is chosen, and there would need to be suppliers who could serve affiliates in different states.

Note, however, that the Liberty gas affiliates do have a common energy procurement team. This single team is responsible for procuring gas for all the affiliates. This single department certainly achieves administrative efficiencies.

Respectfully submitted,

Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty  
Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a  
Liberty  
By their Attorney,



Date: September 26, 2022

---

Michael J. Sheehan, Esq. #6590  
116 North Main Street  
Concord, NH 03301  
Telephone (603) 724-2135  
[Michael.Sheehan@libertyutilites.com](mailto:Michael.Sheehan@libertyutilites.com)



Certificate of Service

I hereby certify that on September 26, 2022, a copy of this filing has been electronically forwarded to the service list in this docket.

A handwritten signature in cursive script, appearing to read "M. Sheehan".

---

Michael J. Sheehan