

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 12-023

GRANITE STATE ELECTRIC COMPANY d/b/a LIBERTY UTILITIES

Petition for Approval of Default Service Solicitation and Resulting Rates for the Large and Small Customer Groups for the Period Beginning November 1, 2012

Order Approving Solicitation and Selection of Default Service Supply and Resulting Rates

ORDER NO. 25,416

September 21, 2012

APPEARANCES: Sarah B. Knowlton, Esq. for Granite State Electric Company d/b/a Liberty Utilities; the Office of Consumer Advocate by Rorie E.P. Hollenberg, Esq. on behalf of residential customers; and Suzanne G. Amidon on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On September 14, 2012, Granite State Electric Company d/b/a Liberty Utilities (Granite State or Company)¹ filed a petition requesting approval of default service rates for its large and medium commercial and industrial customers (Large Customer Group) for the period from November 1, 2012 through January 31, 2013, and for 100% of its supply requirements for its residential and small commercial customers (Small Customer Group) for the period November 1, 2012 through April 30, 2013. The filing was made pursuant to a Settlement Agreement approved by the Commission in Docket No. DE 05-126, *Granite State Electric Company, Petition for Approval of Post-Transition Default Service Proposals*, Order No. 24,577, 91 NH

¹ On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which the assets of Granite State Electric Company and EnergyNorth Natural Gas, Inc. would be transferred to Liberty Energy NH. Upon completion of the transactions, Liberty Energy NH will operate the two systems. This is the first default service filing by Granite State d/b/a Liberty Utilities following closing on the transfer of assets to Liberty Energy NH, though work remains before all of the associated transactions are complete.

PUC 6 (January 13, 2006) as modified by Order No. 24,922, 93 NH PUC 600 (December 19, 2008).

In support of its petition, Granite State filed the testimony and related schedules of John D. Warshaw, Manager, Electricity Supply for Liberty Energy Utilities (New Hampshire) Corp. (Liberty NH). Liberty NH is the sole shareholder of Granite State. In addition, Granite State filed the testimony of Daniel L. Mahoney, Manager of Load Data Services for Liberty NH. Mr. Mahoney's testimony consisted of a report entitled "Default Service Loss Factor Investigation." The investigation was conducted pursuant to Order No. 25,376 (June 22, 2012) in the instant docket. Granite State also included in its filing its most recent customer migration report.

Granite State selected NextEra Energy Power Marketing, LLC (NextEra) as the winning bidder to provide default service to the Large Customer Group for the period from November 1, 2012 through January 31, 2012, and Dominion Energy Marketing, Inc. (Dominion) as the winning bidder to provide default service to the Small Customer Group for the period from November 1, 2012 through April 30, 2013. According to Granite State, the overall bill impact for large customers taking service under Rate G1 will experience bill increases for the three-month period from November 2012 through January 2013 ranging from 19.4% to 24.2% as compared with the three-month period ending October 31, 2012. Residential customers in the Small Customer Group using 500 kilowatt-hours (kWh) per month under rate D would be an increase from \$60.54 to \$68.75, or 13.6%. Other customers in the Small Customer Group will experience bill increases ranging from 12.5% to 18.6%, depending on usage. In its public filing, Granite State redacted certain information for which it requested confidential treatment pursuant to New Hampshire Code Admin. Rules Puc 201.04(a)(5), Puc 201.06 and Puc 201.07. This

information consists of a copy of the Company's transaction confirmation with the winning suppliers, bid evaluation and bid summary, pricing for Renewable Energy Certificates (RECs) and retail meter commodity cost calculations. With respect to the wholesale power purchase prices included in this filing, the Company requested confidential treatment only until such time that those prices are required to be made public by the Federal Energy Regulatory Commission (FERC).

The Commission issued a Secretarial Letter on September 17, 2012 scheduling a hearing for September 20, 2012. The hearing was held as scheduled.

II. POSITIONS OF THE PARTIES

A. Granite State Electric Company

Granite State testified that it had conducted the default service solicitation process in accordance with applicable New Hampshire rules and regulations and the terms of a Settlement Agreement approved by the Commission in Order No. 24,577 (January 13, 2006) as modified by Order No. 24,922 (December 19, 2008). The Company stated that, on August 13, 2012, it issued a request for proposals (RFP) to approximately twenty-five potential suppliers soliciting power for the period November 1, 2012 through January 31, 2013 for the Large Customer Group and for the period November 1, 2012 through April 30, 2013 for the Small Customer Group. Granite State said that it also distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its energy supply website so that the RFP had wide distribution throughout the New England energy supply marketplace. The RFP requested fixed pricing for each month of service on an as-delivered energy basis and allowed prices to vary

monthly across the service period. Consistent with Order No. 24,922, Granite State solicited only for all-inclusive energy and capacity supply.

Granite State testified that this is the Company's first solicitation for default service following the acquisition of Granite State by Liberty Energy NH from National Grid, and National Grid assisted Granite State with the solicitation, consistent with the terms of a transition services agreement related to the acquisition transaction.

Granite State testified that it received indicative bids on September 5, 2012 and final bids on September 12, 2012. Granite State stated that the selected suppliers (1) provided a bid that conformed to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed Granite State's qualitative criteria. On September 12, Granite State selected NextEra to supply default service to the Large Customer Group for the period from November 1, 2012 through January 31, 2013 and entered into a wholesale transaction confirmation on the same day. According to Granite State, a copy of the NextEra master power agreement was filed with the Commission on September 17, 2007 in Docket No. DE 07-012². For the Small Customer Group service, Granite State selected Dominion to supply default service and stated that it also entered into a transaction confirmation with Dominion on September 12, 2012. Granite State testified that a copy of the Dominion master power agreement was filed with the Commission on March 16, 2009 in Docket No. DE 09-010.³

Pursuant to a settlement agreement approved by the Commission in Order No. 24,953 (March 23, 2009), Granite State requested bidders for power supply to provide a separate adder for purposes of complying with RSA 362-F, New Hampshire's Renewable Portfolio Standard

² See, Order No. 24,787 (September 21, 2007). Docket No. DE 07-012 is Granite State's 2007 default service docket.

³ See, Order No. 24,593 (March 23, 2009). Docket No. DE 09-010 is Granite State's 2009 default service docket.

(RPS) law. According to Granite State, the RPS compliance adder from the winning bidder for the Large Customer Group was higher than Granite State's market estimate for RECs. As a result, Granite State did not accept that bidder's RPS compliance adder. Granite State testified that the winning bidder for the Small Customer Group did not submit a RPS compliance adder. To comply with the RPS requirements, Granite State said that it plans to issue an RFP in the future for the acquisition of RECs.

To recover costs of RPS compliance, Granite State testified that it calculates an RPS compliance adder which is added to the base default service rate. For November and December 2012, Granite State proposed to reduce the RPS adder from the current rate of \$0.00396 per kWh to \$0.00387 per kWh for the Small Customer Group, and from \$0.00408 per kWh to \$0.00387 per kWh for the Large Customer Group. Granite State testified that these changes reflected updated REC prices from broker sheets. Beginning in January 2013, when increased RPS compliance requirements take effect, Granite State proposed to increase the RPS adder for both the Small and Large Customer Group to \$0.00428 per kWh based in the Company's estimate of market prices for RECs during the 2013 compliance period.

For both the Small Customer and Large Customer Groups, Granite State calculated the base default service rate by multiplying the commodity cost at the wholesale level (\$ per megawatt-hour) by the applicable loss factor and then dividing the results by ten to determine the kWh retail rate. The Company stated that the load-weighted average of the commodity cost at retail for the Small Customer Group for the period November 1, 2012 through April 30, 2013 is \$0.06791 per kWh as compared to the load-weighted average of \$0.04670 per kWh for the current six-month period ending October 31, 2012. After adjustments for reconciliation and

reclassification and the adder for compliance with the Company's RPS obligations, the proposed default service rate for the Small Customer Group is \$0.07525 per kWh.

For residential customers using 500 kWh per month, total monthly bills will increase by 13.6% from \$60.54 to \$68.75 per month. For residential customers using 665 kWh per month, the average monthly kWh usage for the twelve months ending August 2012, the total bill would increase by 13.4% from \$81.23 per month to \$92.14 per month. Average monthly bills for other customers in the Small Customer Group would increase by 12.5% to 18.6%.

The load-weighted average of the power supply costs for the Large Customer Group is \$0.06791 per kWh compared to the load-weighted average of \$0.04670 per kWh for the period August through October, 2012. For the Large Customer Group, the Company develops rates that vary month by month. The base retail rate for power plus the other adjustments are shown on the following table:

	Nov. 2012	Dec. 2012	Jan. 2013
Base Retail Rate	\$0.05553	\$0.06729	\$0.07916
2012 Default Service Adjustment Factor	\$0.00478	\$0.00478	\$0.00478
Cost Reclassification Factor	\$0.00103	\$0.00103	\$0.00103
RPS Adder	\$0.00387	\$0.00387	\$0.00428
Total Default Service Rate	\$0.06521	\$0.07697	\$0.08925

Granite State noted that the November default service rates produce total bill increases for customers in the Large Customer Group from 19.4% to 24.2% as compared to bills for October 2012.

Order No. 25,376 directed Granite State to review the loss factor measured at the Tewksbury, Massachusetts meter location because the loss factors showed significant variation following the replacement of the meter. Granite State was also directed to compare its loss

factors to those of National Grid's Massachusetts distribution company, Massachusetts Electric Co. (Massachusetts Electric) and Unitil Energy Systems, Inc. (UES). In response, Granite State filed the loss factor report, concluding that its loss factors were similar to those of UES and somewhat higher than those of Massachusetts Electric.

The report also described issues associated with the Company's efforts to establish a new Granite State meter domain. Under the current metering domain, the energy required to serve Granite State's customers is delivered by New England Power (NEP) at specific delivery points. NEP monitors all generators and all ties, including all ties with adjacent transmission grids that feed into the New Hampshire and Vermont Load Zones in the NEP meter domain. The connected utilities are metered at the transmission and distribution interconnection points of their systems and the sum of all the interconnection points for a given utility will be the delivered load for that utility.

Granite State said that while the current method of metering was approved by the Independent System Operator-New England (ISO-NE) and was acceptable when Granite State was a subsidiary of National Grid, NEP, Granite State and ISO-NE will implement a plan to develop a new Granite State meter domain. According to the Company, this new meter domain will change the wholesale metering points and may present an opportunity to reduce the losses to all customers and customer groups served by Granite State.

The Company testified that it was working with NEP and ISO-NE to identify the new metering points for ISO-NE market settlement and that the new metering points would monitor all substations where energy flows from NEP to the Company, all generators inside the Company's meter domain and all ties to adjacent meter domains. The Company stated that

meters will be moved to new locations to more accurately measure the total wholesale load delivered to its customers. Granite State testified that, although the details to establish the new meter domain have been identified by the Company, NEP and ISO-NE, the systems required for data collection and settlement implementation are not expected to be completed until the fall of 2013.

In connection with its review of line losses and the metering domain, Granite State identified over 200 customers currently receiving energy from Granite State's load zone, along distribution lines that are owned by Massachusetts Electric. They are billed by Massachusetts Electric, with no revenues being remitted to Granite State for the energy portion of the service provided. These "borderline customers" are served pursuant to the terms of a FERC-approved tariff which requires an adjacent utility to serve its neighbors' borderline customers when it is not practical for the neighboring utility to build facilities to serve those borderline customers from its own facilities. According to Granite State, the borderline customers being billed by Massachusetts Electric result in approximately 1.2 million kWh per year in energy that is not reported by Granite State, and the underreporting reduces the total retail load and results in a small increase in the total distribution loss factor. Granite State and Massachusetts Electric are working to put in place a borderline service agreement to address this issue. The Company is also determining in consultation with FERC and Massachusetts Electric whether it can recover revenue from Massachusetts Electric for the borderline customers served from Granite State's system. According to Granite State, the recovery effort will require examination of past usage by the borderline customers.

Granite State concluded by requesting that the Commission (1) find that the Company conducted the solicitation and selection of suppliers consistent with the process approved by the Commission in Order No. 24,577, (2) approve the resulting rates, and (3) grant the Company's request for confidential treatment of information redacted from the public filing consistent with Puc 201.04, Puc 201.06 and Puc 201.07.

B. Office of Consumer Advocate

The Office of Consumer Advocate (OCA) stated that it had no objection to the implementation of the default service rates for residential customers. The OCA expressed concern about the fact that some customers located in Massachusetts were receiving power from Granite State for which Granite State was not compensated and urged the Company to move as quickly as possible to resolve the issue with Massachusetts Electric and report periodically on its progress.

C. Staff

Staff stated that it had reviewed the filing and determined that the Company had complied with Order No. 24,577 in the solicitation and evaluation of bids and in the final selection of the winning bidders, and that the resulting rates were market based. The Staff recommended that the Commission approve the petition. The Staff also agreed with Granite State's assertion that information redacted from the public filing was entitled to confidential treatment pursuant to Puc 201.06 and 201.07.

With respect to Granite State's report on the loss factor investigation, Staff stated that it understood that the Granite State needed to work with Massachusetts Electric in order to resolve all the issues and that the process, as described by the Company, would take some time. Staff

recommended that the Commission direct Granite State to provide a report in six months to explain what actions it had taken to resolve the loss factor issue over that period of time and to report on any other progress or developments in addressing the issue.

III. COMMISSION ANALYSIS

We find that Granite State complied with the procedures approved in Order No. 24,577 regarding its analysis of the bids and its selection of the winning bidder for default service supply for its Small and Large Customer Groups for the period beginning November 1, 2012. We are likewise satisfied that the participation of multiple bidders in the process is indicative of a competitive bids and, consequently, that the results are consistent with the requirement of RSA 374-F:3, V(c) that default service be procured through the competitive market.

We also find that Granite State's evaluation of the bids and its selection of NextEra to provide service for the Large Customer Group for the three-month period beginning November 1, 2012 and its selection of Dominion to provide service for the Small Customer Group for the six-month period beginning November 1, 2012 are reasonable. The testimony of Granite State together with its bid evaluation report indicates that the bid prices reflect current market conditions and, therefore, are reasonable. In light of the circumstances, we grant the petition.

Granite State submitted certain confidential information pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06 and 201.07. The information for which Granite State seeks confidential treatment consists of the Company's transaction confirmation with the winning supplier, bid evaluation and summary, RPS compliance pricing and retail meter commodity cost calculations.

Pursuant to Puc 201.06, certain information that is submitted in routine filings by utilities is entitled to confidential treatment, including information submitted in default service proceedings. Puc 201.06 (a)(30) states that the following information submitted in default service proceedings will be accorded confidential treatment:

- a. default service solicitations;
- b. bidder information;
- c. descriptions of the financial security offered by each bidder;
- d. bid evaluations;
- e. rankings of bidders' financial security;
- f. descriptions of financial security required by bidders;
- g. fuel supplier contracts;
- h. commodity and fuel pricing;
- i. planned generation plant maintenance schedules;
- j. contact lists used during the requests for proposals process;
- k. financial security, pricing and quantity terms of master power agreements and amendments;
- l. renewable energy certificate purchase prices, quantities and seller identities under existing contracts;
- m. transaction confirmations;
- n. retail meter commodity cost calculations;
- o. wholesale power purchase prices until made public by other governmental agencies;
- p. and responses to data requests related to a. through o. above.

We find that the category of information for which Granite State seeks confidential treatment is information routinely submitted in connection with default service proceedings as defined in Puc 201.06 (a)(3). Therefore, the information which Granite State has redacted from its public filing shall be accorded confidential treatment subject to the provisions of Puc 201.07. The wholesale power costs contained in Granite State's filing shall be accorded confidential treatment only until such time as the costs are made public through the operation of the rules of the Federal Energy Regulatory Commission.

Finally, we appreciate the work that the Company has begun investigating the loss factor and other issues it identified as it works to establish its own metering domain. We share the

concerns of the Company, OCA and Staff concerning the discovery of approximately 200 Massachusetts customers who are served with power from Granite State yet billed by Massachusetts Electric without compensation to Granite State. We agree with the Company that it will take time to fully analyze and implement the appropriate processes and measures to address this situation however, we expect them to pursue these corrective measures in an expeditious manner. To keep the Commission informed of the Company's progress in resolving the metering and loss factor issues, and in the development of the Granite State metering domain, we direct Granite State to file a report with the Commission within six months from the date of this order. The report should describe the steps that the Company has taken and the progress it has made in addressing the Massachusetts border customer issues, the metering issues and in developing its own metering domain as well as what corrective actions still need to be implemented and a schedule for doing such. We require Granite State to file an updated report every six months thereafter until the new domain is in place and the issues involving borderline customers have been resolved.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into between NextEra Energy Power Marketing, LLC and Granite State Electric Company d/b/a Liberty Utilities for the three-month default service power supply beginning November 1, 2012 for the Large Customer Group and the resulting rates are hereby APPROVED; and it is

FURTHER ORDERED, that the power supply agreement entered into between Dominion Energy Marketing, Inc. and Granite State Electric Company d/b/a Liberty Utilities for

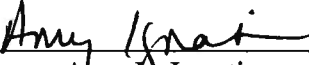
the six-month default service power supply beginning November 1, 2012 for the Small Customer Group and the resulting rates are hereby APPROVED; and it is

FURTHER ORDERED, that the proposed changes to the Renewable Portfolio Standard adder for effect beginning on November 1, 2012 and January 1, 2013 are hereby APPROVED; and it is

FURTHER ORDERED, Granite State shall file a report regarding its progress in addressing the Massachusetts border customer issues, and the loss factors associated with those issues, six months from the date hereof and every six months thereafter until the problem is fully resolved; and it is

FURTHER ORDERED, Granite State shall file conforming tariffs within 30 days of the date of this Order consistent with N.H. Code Admin. Rules Puc 1605.02.

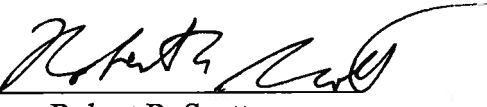
By order of the Public Utilities Commission of New Hampshire this twenty-first day of September, 2012.



Amy D. Ignatius
Chairman




Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director