

**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 Related Rates for
Large Commercial and Industrial Customers**

Order Approving Solicitation and Resulting Default Service Rates

ORDER NO. 25,441

December 20, 2012

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On December 14, 2012, Granite State Electric Company d/b/a Liberty Utilities (Liberty or Company) 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 February 1, through April 30, 2013. Liberty selected H.Q. Energy Services (U.S.) Inc. (HQ-US) as the winning default service supplier for this period. In support of its petition, Liberty filed the testimony of John D. Warshaw with related exhibits. Mr. Warshaw is employed by Liberty as Manager, Electric Supply. Liberty also filed its quarterly migration report with its petition. With the proposed rates resulting from this solicitation, typical bill impacts for the Large Customer Group will be increases ranging from 0.9% to 1.1%.

Liberty made this filing pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (January 13, 2006) 91 NH PUC 6. In Order No. 24,577, the Commission approved the process for the solicitation, bid evaluation and procurement of default service by

National Grid, the previous owner of Granite State Electric Company, for its default service customers, including for its Large Customer Group.¹ According to the terms of the settlement agreement, Granite State Electric Company, now owned by Liberty Utilities, procures default service supply for its Large Customer Group under three-month contracts with fixed monthly prices that vary from month-to-month. The settlement agreement provides that the Company charge the Large Customer Group retail rates consisting of monthly fixed energy charges, administrative costs, a reconciliation charge and a cost for complying with the New Hampshire Renewable Portfolio Standard (RPS) Law (RSA 362-F).

With its petition, Liberty submitted separately filed confidential information including the Company's transaction confirmation with the winning supplier, bid evaluation and summary, RPS compliance pricing and retail meter commodity cost calculations. The Company requested confidential treatment of these materials pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), Puc 201.06(a) and Puc 201.07. With respect to the wholesale power purchase prices included in the filing, the Company requested confidential treatment only until such time as the Federal Energy Regulatory Commission (FERC) requires those prices to be made public.

A hearing was held on December 19, 2012.

II. POSITIONS OF THE PARTIES

A. Liberty Utilities

Liberty testified that it conducted its solicitation process consistent with the terms of the settlement agreement approved by the Commission in Order No. 24,577. The request for proposal (RFP), which was issued on November 7, 2012, requested fixed pricing for each month

¹ On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which Liberty Energy NH acquired GSEC and EnergyNorth Natural Gas, Inc. from National Grid.

of service on an as-delivered energy basis and allowed prices to vary by month so that prices did not have to be uniform across the entire period.

According to Liberty, the RFP was issued to approximately 25 potential suppliers. The RFP was also distributed to all members of the New England Power Pool Markets Committee and posted on Liberty's energy supply website. According to Liberty, the RFP was widely distributed throughout the New England energy supply marketplace.

The Company testified that suppliers submitted indicative bids on December 4, 2012 and final proposals on December 11, 2012. Liberty testified that it evaluated the bids and selected HQ-US because its bid conformed to the RFP, had the lowest price, met the credit requirements described in the RFP and passed Liberty's qualitative evaluation. The Company attested that it complied with the solicitation and bid evaluation process approved by the Commission and asserted that its choice of supplier is reasonable.

On December 12, 2012, Liberty entered into a master power agreement and wholesale transaction confirmation with HQ-US to provide default service to the Large Customer Group for the period February through April 2013. Liberty testified that although the transaction confirmation and master power agreement have differences from the sample power supply agreement in the settlement agreement approved by the Commission, the executed documents do not shift any of the risks or obligations described in the sample power supply agreement provided in the settlement agreement.

Liberty testified that its RPS obligation for calendar year 2013 requires that the Company acquire 12% of load from renewable sources as follows: Class I (new renewable) to match 3.80% of sales and Class I (new useful thermal) to match 0.20% of sales; Class II (solar sources) to

match 0.20% of sales; Class III (existing biomass sources) to match 6.50% of sales; and Class IV (existing small hydro sources) to match 1.30% of sales. The Company complies with RPS obligations by procuring renewable energy certificates (RECs) that represent the renewable characteristics of the energy source, one REC representing one megawatt-hour of power.

In accordance with Order No. 24,922 (December 19, 2008) in Granite State Electric Company's 2008 default service proceeding, the Company requests bidders for default service supply to also provide a separate RPS compliance adder with their bids. The Company explained that the RPS compliance adder is the incremental charge to be paid to the bidder for the bidder's agreement to take on the RPS obligation connected with the default service obligation. According to the Company, HQ-US elected not to supply a RPS compliance adder with its bid. Liberty testified that it would meet its RPS compliance requirements by issuing an RFP to procure RECs; and that if it could not purchase a sufficient number of RECs, the Company would make alternative compliance payments into the Renewable Energy Fund. Liberty said it did not propose any change to the RPS adder in the instant filing because current market prices for RECs are similar to those used by Liberty in its last filing. *See* Order No. 25,416 (September 21, 2012).

Liberty testified that the rates for the Large Customer Group for the period February 1, 2013 through April 30, 2013, including the various components included in the rate, in cost per kWh, will be as follows:

Month	February 2013	March 2013	April 2013
Energy Rate	\$0.08986	\$0.07155	\$0.06215
RPS Adder	\$0.00428	\$0.00428	\$0.00428
Total Default Service	\$0.09414	\$0.07583	\$0.06643

Liberty attested that the filing was in compliance with the principles of its most recently filed and accepted least cost plan pursuant to RSA 378:40. Liberty requested that the Commission approve its petition and issue an order no later than December 21, 2012.

B. Staff

Staff stated that it had reviewed the petition and determined that Liberty had complied with the settlement agreement approved by the Commission in Order No. 24,577 in Docket DE 05-126 in conducting the bid solicitation and bid evaluation process, and in its selection of the winning bidder. Staff said that based upon its review, the resulting rates are market based. Staff also noted that, based upon its review, the information claimed to be confidential by the Company was similar to other information which the Commission had found to be confidential pursuant to New Hampshire Code Admin. Rules Puc 201. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

We find that Liberty complied with the procedures used in Order No. 24,577 regarding Liberty's bid solicitation, analysis of the bids, and its selection of the winning bidder for default service supply for its Large Customer Group for the three-month period from February 1, 2013 through April 30, 2013. We are likewise satisfied that the participation of multiple bidders in the process is indicative of a competitive bid and, consequently, that the result is consistent with the requirement of RSA 374-F:3, V(c) that default service be procured through the competitive market.

We also find that Liberty's evaluation of the bids and its selection of HQ-US as its default service supplier for the Large Customer Group for the period from February 1, 2013

through April 30, 2013 are reasonable. The testimony of the Company, together with the bid evaluation report, indicates that the bid prices reflect current market conditions and, therefore, are reasonable. In light of these circumstances, we will grant the petition.

Liberty submitted certain confidential information pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06 and 201.07. The information for which Liberty 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.

After reviewing the material redacted from the instant filing, we find that the category of information for which Liberty seeks confidential treatment is information routinely submitted in connection with default service proceedings as defined in Puc 201.06(a)(30). Therefore, the information shall be accorded confidential treatment subject to the provisions of Puc 201.07. The wholesale power costs contained in Liberty'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. We note that this ruling is consistent with prior orders in this docket. *See, e.g.* Order No. 25,376 (June 22, 2012) at 6-7.

Finally, pursuant to RSA 378:41, we note that the Company has attested that this filing is consistent with the principles of its most recently filed and accepted least cost plan.

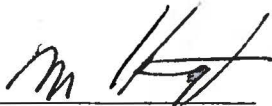
Based upon the foregoing, it is hereby

ORDERED, that the Transaction Agreement and Master Power Agreement between Granite State Energy Company d/b/a Liberty Utilities and H.Q. Energy Services (U.S.), Inc. for default service supply for Granite State Electric Company for its Large Customer Group for the period February 1, 2013 through April 30, 2013 is APPROVED; and it is

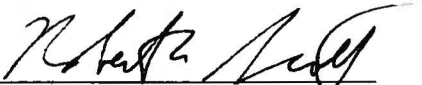
FURTHER ORDERED, that the power supply costs resulting from the solicitations are reasonable and, subject to the ongoing obligations of Liberty to act prudently, according to the law and in conformity with Commission orders, the amounts payable to the seller for power supply costs under the three-month transaction confirmation for the period February 1, 2013 through April 30, 2013 may be recovered through Liberty's default service rates; and it is

FURTHER ORDERED, that Liberty shall file conforming tariffs within 30 days of the date of this Order consistent with N.H. Code Admin. Rule Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this twentieth day of December, 2012.



Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director