

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-018

GRANITE STATE ELECTRIC COMPANY d/b/a LIBERTY UTILITIES

Petition for Approval of Proposed Default Service Rates for the Large and Small Customer Groups for the Period Beginning May 1, 2013

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

ORDER NO. 25,476

March 22, 2013

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

I. PROCEDURAL HISTORY

On March 15, 2013, Granite State Electric Company d/b/a Liberty Utilities (Liberty or Company) filed a petition requesting approval of its solicitation and procurement of default service for 100% of its supply requirements for its medium and large commercial and industrial customers (Large Customer Group) for the period May 1, 2013 through July 31, 2013, and for 100% of its supply requirements for its residential and small commercial customers (Small Customer Group) for the period May 1, 2013 through October 31, 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 Proposal*, Order No. 24,577, 91 NH PUC 6 (January 13, 2006) as modified by Order No. 24,922, 93 NH PUC 600 (December 19, 2008).

In support of its petition, Liberty filed the testimony and related schedules of John D. Warsaw, Manager, Electricity Supply for Liberty Energy Utilities (New Hampshire) Corp.

(Liberty NH). Also on March 19, 2013, Liberty filed a Loss Factor Investigation Update consistent with Order No. 25,416 (September 21, 2012).

The Company selected NextEra Energy Power Marketing, LLC (NextEra), formerly known as FPL Energy Power Marketing, LLC, to provide default service for the Large Customer Group for the period May 1, 2013 through July 31, 2013 and Exelon Generation Company, LLC (Exelon), formerly known as Constellation Energy Commodities Group, Inc., to provide default service for the Small Customer Group for the period May 1, 2013 through October 31, 2013. According to Liberty, the overall bill impact for residential customers using 500 kilowatt-hours (kWh) per month under Rate D will be a decrease from \$69.93 to \$65.58 or 6.2%; however, this represents a 21% increase over the rates for the same time period last year.¹ Other customers in the Small Customer Group will experience bill decreases ranging from 5.9% to 8.1% depending on usage. Large customers taking service under either Rate G-1 or Rate G-2 will experience bill decreases for the three-month period from May through July 2013 ranging from 6.2% to 7.3% as compared to the three-month period ending April 2013.

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 the Company's transaction confirmations 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).

¹ The witnesses testified that whereas power costs have historically been higher in the summer, recent market activity shows that higher power costs now occur in the winter, and that future default service solicitations will reflect that trend.

The Commission issued an Order of Notice on January 30, 2013 scheduling a hearing on March 19, 2013. On February 5, 2013, the Office of Consumer Advocate (OCA) filed a letter of participation in the docket pursuant to RSA 363:28.

II. POSITIONS OF THE PARTIES AND STAFF

A. Granite State Electric Company d/b/a Liberty Utilities

Liberty 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 February 8, 2013, it issued a request for proposals (RFP) to approximately twenty-five potential suppliers soliciting power for the period May 1, 2013 through July 31, 2013 for the Large Customer Group and for the period May 1, 2013 through October 31, 2013 for the Small Customer Group. Liberty 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, Liberty solicited only for all-inclusive energy and capacity supply.

Liberty testified that it received indicative bids on March 5, 2013 and final bids on March 12, 2013. Liberty 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 Liberty's qualitative criteria.

For the Large Customer Group, the Company entered into a wholesale Transaction Confirmation on March 13, 2013 with NextEra that awards 100% of the default service load obligation of the Large Customer Group to NextEra for the period May 1, 2013 through July 2013. The Transaction Confirmation and a Master Power Agreement together provide the terms of the default service purchase by Liberty Utilities from NextEra. The NextEra Master Power Agreement, and the First Amendment to the Master Power Agreement, were previously filed with the Commission.²

Exelon was the winning bidder for the Small Customer Group. On March 13, 2013, Liberty and Exelon entered a Transaction Confirmation for Exelon to provide 100% of the load obligation for the Small Customer Group for the six-month period May 1, 2013 through October 31, 2013. According to the Company, a copy of the Master Power Agreement and a copy of the First Amendment to the Master Power Agreement have been filed previously with the Commission.³

Pursuant to a settlement agreement approved by the Commission in Order No. 24,953, 94 NH PUC 148 (March 23, 2009), Liberty requested bidders for power supply to provide a separate adder for purposes of complying with RSA 362-F, New Hampshire's Renewable Portfolio Standard (RPS) law. The RPS compliance adder indicates the additional charge the bidder needs to add to the default service rate to accept the obligation to meet New Hampshire's RPS requirements. The Company evaluated the winning bidder's RPS adder for the Large Customer Group by comparing it to estimated RPS prices for RECs and determined that the adder was higher than the Company's market estimate for New Hampshire RECs. On that basis,

² The Master Contract with NextEra was approved by the Commission in Order No. 24,787 (September 21, 2007) in DE 07-012, Granite State's 2007 default service docket.

³ The Master Contract with Exelon was approved by Order No. 24,609 (March 28, 2006) in Docket No. DE 05-126, Granite State's first default service docket.

Liberty did not accept the RPS adder from the bidder. No RPS adder was included with the winning bid for the Small Customer Group. According to Liberty, the Company had entered into a contract for certain Class I (new renewable) RECs and it planned to meet its remaining 2013 RPS obligation with RECs purchased through a RFP issued in the spring or early summer of 2013. That solicitation will also be used to satisfy its remaining 2012 obligation. The Company did not propose to change its default service RPS adder of \$0.00428 per kWh in this filing as the Company believes the current market prices for RECs are not dissimilar to the prices of RECs used in its last default service filing.

For both the Small and Large Customer Groups, Liberty said it 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. The Company stated that the load-weighted average of the commodity cost at retail for the Small Customer Group for the period May 1 through October 31, 2013 is \$0.06078 per kWh compared to the load-weighted average of \$0.06545 per kWh for the current six-month period ending April 30, 2013. After adjustments for reconciliation and reclassification⁴ and the adder for compliance with the Company's RPS obligations, the proposed default service rate for the Small Customer Group is \$0.06656 per kWh. Liberty calculated that, for residential customers using 500 kWh per month, total monthly bills would decrease by \$4.35 or 6.2% from \$69.93 to \$65.58. For residential customers using 675 kWh per month, the average monthly kWh usage for the twelve months ending February 2013, the total monthly bill would decrease by \$5.86 from \$95.17 to \$89.31. Average monthly bills for other customers in the Small Customer Group would decrease between 5.9% and 8.1%.

⁴ Commission Order No. 24,577 (Jan. 13, 2006) approved the Settlement Agreement which authorized Liberty to use these factors in adjusting rates to reflect actual costs of providing default service.

For the Large Customer Group, the Company develops rates that vary by month. According to Liberty, the monthly base default service rates at retail are as follows: \$0.05704 per kWh for May 2013; \$0.06573 per kWh for June 2013; and \$0.06849 for July 2013. Liberty said that it adjusts the base rates per month for its 2013 reconciliation and reclassification factors and the RPS Adder to derive a total default service rate for the three month period as follows: \$0.06258 per kWh for May 2013; \$0.07127 per kWh for June 2013; and \$0.07403 per kWh for July 2013. The bill impacts for customers in the Large Customer Group decreases that range from 6.2% to 7.3% depending on the month and customer's usage as compared to the rates currently in effect through April 2013.

Liberty concluded by requesting that the Commission find that the Company conducted its solicitation and selection of suppliers according to the process approved by the Commission in Order No. 24,577 and that the Commission approve the resulting rates effective with service rendered on and after May 1, 2013. Liberty further requested that the Commission protect the Company's information redacted pursuant to Puc 201.07.

Liberty submitted a report updating its loss factor and the status of issues of cross-border customers and new metering needs.

B. Office of Consumer Advocate

The OCA was unable to participate in the hearing.

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 appeared market-based. Staff questioned the Company about its loss factors and the status of the settlement discussions with

National Grid concerning cross-border sales in National Grid's Massachusetts territory. Liberty stated that New England Power Company is responsible for meter replacement, and Staff also inquired about the timeframe needed to analyze, order and install metering equipment for those cross-border customers.

At closing, Staff recommended that the Commission approve the petition. Staff also stated that it had no objection to the request for confidential treatment.

III. COMMISSION ANALYSIS

Based on the record in this proceeding, we find that Granite State Electric Company (d/b/a Liberty Utilities) 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 May 1, 2013. We are also satisfied that the Company took appropriate steps to solicit multiple potential suppliers in order to receive a competitive bid response 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 Liberty's evaluation of the bids and selection of NextEra to provide default service for the Large Customer Group for the three-month period beginning May 1, 2013 and its selection of Exelon to provide default service for the Small Customer Group for the six-month period beginning May 1, 2013 are reasonable. The testimony of Liberty, together with its bid evaluation report, indicates that the bid prices reflect expected market conditions for the time period in question. In light of the competitive procurement and the analysis that the proposed default service rates reflect current market conditions, we will grant the proposed default service rates.

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 and granted confidential treatment 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.

Regarding the Loss Factor Investigation Update, we direct the Company to keep the Commission apprised of the settlement discussions with Massachusetts Electric Company concerning cross-border sales as well as the progress Massachusetts Electric Company is making on needed corrective actions to serve the 186 Massachusetts customers now served by Liberty and the single New Hampshire customer now served by Massachusetts Electric Company. We will also direct the Company to keep the Commission informed of the progress being made by New England Power Company to install meters for three currently unmetered locations pursuant to the Metering and Settlement Agreement between New England Power Company and Liberty as well as its own progress in developing and installing a metering system for the Liberty metering domain.

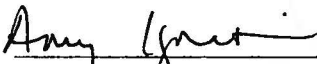
Based upon the foregoing, it is hereby

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 default service power supply for the Large Customer Group for the three-month period beginning May 1, 2013 and the resulting rates are hereby APPROVED; and it is

FURTHER ORDERED, that the Power Supply Agreement between Exelon Generation Company, LLC and Granite State Electric Company d/b/a Liberty Utilities for default service power supply for the Small Customer Group for the six-month period beginning May 1, 2013 and the resulting rates are hereby APPROVED; and it is

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

By order of the Public Utilities Commission of New Hampshire this twenty-second day of March, 2013.



Amy L. Ignatius
Chairman




Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director