

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-018

GRANITE STATE ELECTRIC COMPANY, INC. D/B/A LIBERTY UTILITIES

**Petition for Approval of Default Service Solicitation and Related Rates for Large and
Medium Commercial and Industrial Customers**

Order Approving Solicitation and Related Rates

ORDER NO. 25,527

June 25, 2013

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 June 20, 2013, 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 August 1, 2013 through October 31, 2013. The filing was made pursuant to a settlement agreement (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, Granite State filed the testimony and related schedules of John D. Warshaw, Manager, Electric Supply for Liberty Energy Utilities (New Hampshire) Corp. (Liberty NH).

According to the terms of the settlement agreement, Liberty procures default service for its Large Customer Group under three-month contracts with fixed prices that vary monthly. Liberty charges the Large Customer Group retail rates consisting of monthly fixed energy

charges that recover energy and capacity costs, administrative costs, a reconciliation charge and an adder representing the cost of complying with the New Hampshire Resource Portfolio Standard (RPS) law, RSA 362-F. Liberty selected Dominion Energy Marketing, Inc. (Dominion) as the winning default service supplier for the Large Customer Group for the period from August 1, 2013 through October 31, 2013. Liberty testified that its proposed rates would result in bill decreases for customer in the Large Customer Group ranging from 5.5% to 6.6% for the three month period ending October 2013 as compared to rates for the three-month period ending July 2013.

With its petition, Liberty separately filed confidential information including the Company's transaction confirmation with Dominion, 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 requires those prices to be made public.

A hearing was held on June 24, 2013.

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 the Settlement Agreement. The Company stated that on May 10, 2013, it issued a request for proposal (RFP) to approximately twenty-five potential suppliers soliciting power for the Large Customer Group for the period from August 1, 2013 through October 31, 2013. Liberty said that

it also distributed the RFP to all members of the New England Power Pool Markets Committee and posted it 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 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.

Liberty testified that it received indicative bids on June 11, 2013 and final bids on June 18, 2013. Liberty stated that it selected Dominion as the supplier for the Large Customer Group for the period from August 1, 2013 through October 31, 2013 because Dominion (1) provided a bid that was conforming to the RFP, (2) offered the lowest price, (3) met the credit requirements described in the RFP and (4) met Liberty's qualitative criteria. On June 18, 2013, Liberty entered into a wholesale transaction confirmation with Dominion to provide service to the Large Customer Group. Liberty testified that the Company filed a copy of the Dominion master power agreement with the Commission on March 16, 2009 in Docket No. 09-010, the Company's 2009 default service proceeding.¹

The Company stated that it complies with the RPS obligation by procuring renewable energy certificates (RECs) that represent renewable resources, one REC representing one megawatt-hour of power. Liberty said that its obligation to purchase RECs for calendar year 2013 is as follows: Class I (new renewable resources) RECs equal to 3.8% of sales, Class II (solar resources) RECs equal to 0.2% of sales, Class III (existing biomass resources) RECs equal to 1.5% of sales, and Class IV (existing small hydro resources) to match 1.3% of sales.

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 the purposes of complying with the RPS law. The compliance adder indicates

¹ The Commission approved the Dominion master power agreement in Order No. 24,953 on March 23, 2009.

the additional charge the bidder needs to add to the cost of energy if the supplier agrees to accept the obligation to meet New Hampshire's RPS requirements. Liberty testified that Dominion did not submit a RPS compliance adder. The Company said that it plans to issue a RFP in the future for the acquisition of RECs and to meet its compliance obligation with the procurement of RECs or through the payment of alternate compliance payments to the New Hampshire renewable energy fund.

Liberty proposes to change the RPS compliance for effect with this filing due to the change in 2013 RPS obligations in order No. 25,484 (April 4, 2013). Order No. 25,484 deferred the commencement of Class I useful thermal requirements to calendar year 2014 and adjusted the Class III (existing biomass) from 6.5% to 1.5% of 2013 electric sales. As a result of these changes, Liberty proposed to change the compliance adder from \$0.00428 per kilowatt hour (kWh) to \$0.00290 per kWh. Liberty explained that it calculated the adder based on recent 2013 market prices for all REC classes.

Liberty said that it calculates 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. For the Large Customer Group, the Company develops rates that vary from month to month. Liberty testified that the proposed base default service rates for the Large Customer Group are 6.262 cents per kWh for August 2013, 5.661 cents per kWh for September 2013, and 5.526 cents per kWh for October 2013. Liberty stated that it adjusted the base rates for its 2013 reconciliation and reclassification adjustment factors and the RPS Adder to derive a total default rate for the three month period as follows: 6.678 cents per kWh for August 2013; 6.077 cents per kWh for September 2013; and 5.942 cents per kWh for October 2013. The bill impacts for customers in the Large Customer Group are reductions ranging from 5.5% to 6.6%.

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 on a service rendered basis for the three-month period beginning August 1, 2013 and ending October 31, 2013. Liberty further requested that the Commission protect the Company's separate confidential filing pursuant to Puc 201.

B. 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 section of the winning bidders, and that the resulting rates appear to be market-based. Staff recommended that the Commission approve the petition and stated that the Company's request for confidential treatment was consistent with the provisions of Puc 201.

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 bids and its selection of the winning bidder for default service supply for its Large Customer Group for the period from August 1, 2013 through October 31, 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 Dominion to provide default service for the three month period beginning August 1, 2013 is 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. 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.

Based upon the foregoing, it is hereby

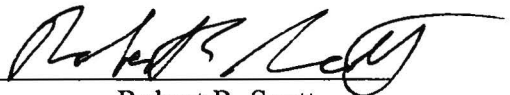
ORDERED, that the power supply agreement and transaction confirmation entered into between Granite State Electric Company d/b/a Liberty Utilities and Dominion Energy Marketing, Inc. for default service power supply for the Large Customer Group for the three-month period beginning August 1, 2013 and the resulting rates are hereby APPROVED; and it is

FURTHER ORDERED, that 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-fifth day of
June, 2013.

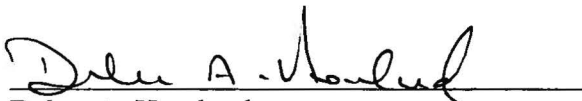


Amy L. Ignatius
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director