

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-010

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
D/B/A LIBERTY UTILITIES**

Request for Approval of Default Service Solicitation

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

ORDER NO. 25,770

March 30, 2015

APPEARANCES: Sarah B. Knowlton, Esq., for Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of Consumer Advocate by Wayne R. Jortner, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Staff of the Public Utilities Commission.

In this Order, the Commission finds that Liberty's recent market solicitation for energy service power supply for its large and small customer groups, for the six-month period beginning May 1, 2015, was conducted in accordance with Commission Orders. The Commission authorizes Liberty to recover the costs of the power supply through energy service rates effective with service rendered on and after May 1, 2015. Liberty's customers will experience average monthly bill decreases of 26% to 33%, depending on customer class and usage. The Order approves an energy service rate of 7.063 cents per kWh for residential customers. For the average residential customer using 655 kWh per month, the result would be a decrease in monthly rates from \$158.01 to \$111.98, or 29.1% when compared to the six-month period ending April 2015. The Order recognizes that the reduction in power supply costs is an effect of the unregulated market and not a result of any particular action of the Company.

I. PROCEDURAL HISTORY

On January 6, 2015, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or Company) filed a letter detailing the Company's schedule regarding the issuance of requests for proposals (RFPs) for default energy service power supply for the six-month period beginning May 1, 2015. The Office of the Consumer Advocate (OCA) filed a letter of participation on January 16, 2015, and the Commission issued an Order of Notice on February 18, 2015.

On March 23, 2015, Liberty filed a petition requesting approval of its solicitation and procurement of default energy service for 100% of power supply requirements for the period May 1 through October 31, 2015. The solicitation requested power supply for Liberty's large commercial and industrial customers (Large Customer Group)¹ and residential and small commercial customers (Small Customer Group).² Liberty filed the petition pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (Jan. 13, 2006), and modified by Order No. 24,922 (Dec. 19, 2008), and further modified by Order No. 25,601 (Nov. 27, 2013) (Settlement Agreement).

Pursuant to the Settlement Agreement, Liberty solicits default energy service supply for 100% of its Large Customer Group requirements in two, separate three-month blocks of power supply. Liberty then develops rates for the Large Customer Group based on the winning bid contract prices, calculating rates that vary monthly. For its Small Customer Group, Liberty

¹ The Large Customer Group is comprised of customers taking service under General Long-Hour Service Rate G-2 or General Time-of-Use Rate G-1, under the Company's Retail Delivery Tariff.

² The Small Customer Group is comprised of customers taking service under Domestic Service Rate D, Domestic Service-Optional Peak Load Pricing Rate D-10, Outdoor Lighting Service Rate M, Limited Total Electrical living Rate T, General Service Rate G-3, or Limited Commercial Space Hearing Rate V, under the Company's Retail Delivery Tariff.

solicits prices for 100% of a six-month block of power supply and sets a fixed rate for the six-month period by calculating a six-month weighted average.

Liberty filed the testimony of John D. Warshaw and Heather M. Tebbetts. Mr. Warshaw is employed as Manager, Electric Supply by Liberty Energy Utilities (New Hampshire) Corp. (Liberty Energy NH), the entity that provides services to Liberty. Ms. Tebbetts is a utility analyst also employed by Liberty Energy NH.

In its filing, Liberty also proposed an adjustment to the Renewable Portfolio Standard (RPS) adder used to procure compliance with New Hampshire RPS law. Liberty provided its quarterly customer migration report and an update regarding a boundary issue with Massachusetts Electric Company (MECo). This boundary issue involves one residential customer who owns a home physically located in New Hampshire, but whose electric service is delivered by MECo.

Liberty filed confidential information, including the Company's transaction confirmations and master power agreements with the winning suppliers, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested confidential treatment of these materials pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), Puc 201.06(1), and Puc 201.07. With respect to the wholesale purchase prices included in the filing, Liberty requested confidential treatment only until such time as the Federal Energy Regulatory Commission (FERC) requires those prices to be made public.

On March 24, 2015, Liberty filed corrected testimony of Ms. Tebbetts, and corrected schedules related to Ms. Tebbetts' and Mr. Warshaw's testimony. The Company provided a redlined version of Ms. Tebbetts' corrected testimony on March 25, 2015.

The merits hearing was held on March 26, 2015. The Commission granted Liberty's request for confidential treatment at hearing. A record request (designated as Exhibit 7) was made at hearing for the correction and modification of certain schedules in the filing, and Liberty filed those schedules on March 27, 2015.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

Liberty testified that it conducted its solicitation process consistent with the terms of the Settlement Agreement. The RFPs, which were issued on February 13, 2015, solicited fixed pricing for each month of service on an as-delivered energy basis, and allowed prices to vary by month. According to Liberty, the RFPs were issued to approximately 25 potential suppliers. The RFPs were 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 RFPs were widely distributed throughout the New England energy supply marketplace.

Liberty testified that suppliers submitted indicative bids on March 10, 2015, and final bids on March 17, 2015. Liberty evaluated the bids and selected NextEra Energy Power Marketing, LLC (NextEra) (formerly known as FPL Energy Power Marketing, Inc.), as the winning bidder for the two three-month blocks of power supply for the Large Customer Group. Liberty selected Exelon Generation Company, LLC (Exelon) (formerly known as Constellation Energy Commodities Group, Inc.), as the winning bidder for the six-month power supply for the Small Customer Group. Liberty attested that it selected these suppliers because their bids conformed to the RFPs, had the lowest prices, met the credit requirements described in the RFPs, and passed Liberty's qualitative evaluation. Liberty attested further that it complied with the

solicitation and bid evaluation process approved by the Commission and stated that its choice of suppliers was reasonable.

A copy of the NextEra Master Power Agreement was filed with the Commission on September 17, 2007, as part of its 2007 energy service proceeding, and was approved by the Commission in Order No. 24,787 (September 21, 2007). A copy of the Exelon Master Power Agreement was filed with the Commission on March 20, 2006, as part of its 2006 energy service proceeding, and was approved by the Commission in Order No.24,609 (March 28, 2006). Copies of the transaction confirmations between Liberty and NextEra, and Liberty and Exelon, with confidential sections redacted, are attached to Mr. Warshaw's testimony as JDW-4, and JDW-5, respectively.

Liberty stated that its 2015 RPS obligation requires it to either purchase renewable energy certificates (RECs), or make alternative compliance payments (ACPs), equal to 8.3% of retail sales. In accordance with Order No. 24,922 (December 19, 2008), Liberty requested bidders responding to the RFPs for default energy service supply to also provide a separate RPS compliance adder with their bids. Liberty 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 associated with the energy service load.

According to Liberty, only one of the bidders submitted an RPS compliance adder. The Company compared the proposed adder to the current market price for RECs to determine whether the adder is reasonable. Liberty used responses to its most recent RFP for RECs and broker quotes to develop a market price for 2015 RECs, and compared that to the bidder's RPS adder. Based on this comparison, Liberty determined that the submitted RPS compliance adder was greater than the market price for RECs and, therefore, Liberty did not accept the proposed

adder. Liberty, however, is proposing a change to the Commission-approved RPS adder of 0.535 cents per kilowatt hour (kWh) to 0.358 cents per kWh to reflect the results of its RPS solicitation and the recent decrease in the Class III obligation scheduled for 2015. Liberty proposed that these changes take effect for the six-month period beginning May 1, 2015, through October 31, 2015.

Liberty testified that, for both customer groups, it calculates the base energy 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. Once that base rate is calculated, Liberty adjusts the rate by including the RPS adder, and the factors that reconcile any over- or under-recoveries. In addition, Liberty includes in the rate calculation the credits associated with the borderline sales agreement between Liberty and MECo. Taking into account all adjustments, Liberty, in its March 24th filing, calculated a total energy service rate of 6.926 cents per kWh for the Small Customer Group. For a residential customer using 655 kWh per month, the average monthly usage of residential customers, the resulting rates would constitute monthly bill decreases of 29.7% from \$158.01 per month, to \$111.09 per month, compared to the six-month period ending April 2015. Other customers in the Small Customer Group would experience monthly bill decreases ranging from 28% to 31%.

At hearing, Liberty testified that it had calculated an under-recovery of approximately \$800,000 in connection with RPS compliance that had not been included in the calculation of rates. Liberty proposed to defer recovery of the shortfall until rates effective May 2016 and agreed to forego applying interest to the shortfall amount. The Commission requested that the Company file a response to a record request (Exhibit 7) that demonstrated the calculation of energy service rates if Liberty recovered the short-fall in RPS revenues for the six-month period

beginning May 1, 2015. In Exhibit 7, which Liberty filed on March 27, 2015, Liberty calculated a rate of 7.063 cents per kWh for the Small Customer Group beginning May 1, 2015, assuming that recovery of the RPS shortfall commences on that day. For the average residential customer using 655 kWh per month, the result would be a decrease in monthly rates from \$158.01 to \$111.98, or 29.1% when compared to the six-month period ending April 2015. Other customers in the Small Customer Group would experience monthly bill decreases ranging from 27% to 33%.

For the Large Customer Group, Liberty develops base energy service rates that vary by month. Liberty then adjusts these rates by the reconciliation factors and RPS adder to calculate a total energy service rate for each month in the energy service period. As a result of these calculations, Liberty derived the following monthly rates for the Large Customer Group, with and without the recovery of the RPS revenue shortfall.

	May	June	July	August	September	October
Without Recovery	5.836 cents per kWh	6.546 cents per kWh	7.671 cents per kWh	6.947 cents per kWh	6.582 cents per kWh	6.965 cents per kWh
With Recovery	5.973 cents per kWh	6.683 cents per kWh	7.808 cents per kWh	7.084 cents per kWh	6.719 cents per kWh	7.102 cents per kWh

Without recovery of the RPS shortfall, average monthly bills for the Large Customer Group would decrease from 26% to 27%, depending on usage, as compared to the six-month period ending April 2015. With the recovery of the RPS shortfall, monthly bill impacts would range from 25% to 26%.

In response to questions at hearing, Liberty testified that it would be amenable to including recovery of the RPS shortfall in rates commencing May 1, 2015, if the Commission determined that such action were appropriate.

Liberty explained that the rates resulting from its default service procurement process are based on market rates and, in this instance, reflect the lower market rates forecast for the spring and summer months. Liberty stated that the Company rates reflect the costs of paying wholesale suppliers for energy. While Liberty earns a profit on its distribution system and services, the Company said it merely passes through energy service costs offered by suppliers who bid the lowest cost for energy supply. According to the Company, it expects that the winter rates for the upcoming winter energy service period will be higher than the rates offered for the May through October 2015 energy service period.

Liberty also provided an update on the remaining issue related to the customer who resides in Liberty's franchise area but who receives service from MECo. According to Liberty, the Company is close to executing a contract with MECo to confirm that Liberty will provide electric service to that customer. Liberty said it will update the Commission once the contract is executed.

In its filing, Liberty briefly addressed the Commission's concerns regarding Liberty's proposed method to procure energy service supply in the event of a failure to secure bids in response to an RFP. Liberty proposed to advance from August to July the time it issues an RFP for power supply for the six-month energy service period beginning November 1, 2015. Liberty asserted that building this extra time into the procurement process would be responsive to Order No. 25,763 (February 18, 2015). Liberty also acknowledged that the Commission is investigating alternative approaches to the procurement of energy service in Docket IR 14-338, and that it is participating in that docket.

Liberty concluded by requesting that the Commission approve its energy service solicitation and evaluation process, and by asserting that the resulting rates are just and reasonable and market-based.

B. Office of Consumer Advocate

The OCA noted an error in Liberty's filing in the comparison between the prices in the spot market and the prices of the Company's winning bidder. With the exception of the error, the OCA stated that the Company did an adequate job in its default service procurement and said that it had no objection to the filing.

C. Commission Staff

Commission Staff (Staff) said that it reviewed the filing and determined that Liberty followed the solicitation and bid evaluation of the process approved by the Commission. Staff said that, based on its review, the resulting rates are market based. Staff recommended that the Commission approve the filing. Staff said that it was inclined to support the recovery of the RPS shortfall beginning with rates for services effective on May 1, 2015; however, Staff indicated that it intended to review the impact of the recovery on energy service rates.

III. COMMISSION ANALYSIS

We find that Liberty complied with the procedures approved in Order No. 24,577 regarding its analysis of the bids and its selection of the winning bidders for energy service supply for its small and large customer groups for the six-month period beginning May 1, 2015. We are also satisfied that Liberty took appropriate steps to solicit multiple potential suppliers in order to receive competitive bid responses. We find that the results are consistent with the requirement of RSA 374-F:3, V(c) that default energy service be procured through the

competitive market. We also find that the resulting rates are just and reasonable as required by RSA 378:5 and 378:7.

We also find that Liberty's evaluation of the bids and its selection of NextEra as the supplier of energy service power requirements for the Large Customer Group for the two three-month periods beginning May 1, 2015, and August 1, 2015, respectively, are reasonable and appropriate. Similarly, we find Liberty's evaluation and selection of Exelon as the energy service supplier for the Small Customer Group for the period May 1 through October 31, 2015 to be reasonable and appropriate. Liberty's testimony, together with its bid evaluation report, indicates that the bid prices reflect expected market conditions for the time periods in question.

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 includes the Company's transaction confirmations with the winning suppliers, bid evaluations and summaries, RPS compliance pricing, and retail meter commodity cost calculations. After reviewing the redacted material, we found at hearing 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, we granted confidential treatment as requested. The redacted information shall be accorded confidential treatment subject to the provisions of Puc 201.07, provided that the wholesale power costs contained in Liberty's filing shall be treated as confidential only until such time as the costs are made public through the operation of FERC rules.

We also approve Liberty's proposal to make a downward adjustment to the RPS compliance adder, and the other reconciliation and adjustment factors included in this filing. We have reviewed Exhibit 7, which presents the impact on rates if Liberty begins to recover the

shortfall in RPS revenue effective with rates beginning on May 1, 2015. We find that it is appropriate for the Company to commence recovery of the shortfall beginning May 1, 2015. As noted in the record, Liberty anticipates a significant reduction in energy service rates for May 1 as a result of its RFP process. The inclusion in rates of the recovery of the RPS shortfall would modestly increase rates for both the small and large customer groups while still allowing customers to experience the lower rates associated with the spring and summer months. In addition, commencing recovery beginning with rates effective May 2015 more closely aligns the recovery of the shortfall with the period of time in which the shortfall occurred. Therefore, we find it just and reasonable to authorize the Company to begin recovery of the RPS shortfall with rates effective May 1, 2015.

Finally, we appreciate the participation of Liberty in IR 14-338 and direct the Company to that docket to evaluate its alternatives in the event of a failed auction for energy service.

Based upon the foregoing, it is hereby


ORDERED, that the Master Power Agreement Transaction Confirmation entered into between NextEra Energy Power Marketing, LLC, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for default service power supply for the Large Customer Group for the six-month period beginning May 1, 2015, and the resulting default service retail rates, are hereby APPROVED; and it is

FURTHER ORDERED, that the Master Power Agreement Transaction Confirmation entered into between Exelon Generation Company, LLC and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for the Small Customer Group for the six-month period beginning May 1, 2015, and the resulting default service retail rates, are hereby APPROVED; and it is

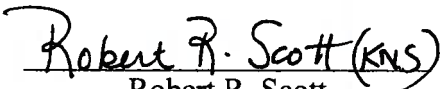
FURTHER ORDERED, that the redacted materials filed by Liberty in this proceeding shall be accorded confidential treatment pursuant to N.H. Code Admin. Rules Puc 201, provided that after the wholesale power purchase prices included in the filing shall be confidential only until such time as the Federal Energy Regulatory Commission requires such prices to be made public; 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. Rules Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of March, 2015.

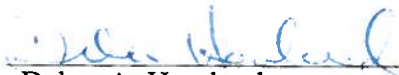


Martin P. Honigberg
Chairman



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director