

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 17-058**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.  
d/b/a LIBERTY UTILITIES**

**Request for Approval of Energy Supply Solicitation and Resulting Rates**

**Order Approving Request**

**ORDER NO. 26,030**

**June 26, 2017**

**APPEARANCES:** Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of the Consumer Advocate by Brian Buckley, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq. and Paul B. Dexter, Esq., on behalf of Commission Staff.

In this Order, the Commission approves Liberty's solicitation of energy supply for its large and small customer groups. The Commission authorizes Liberty to recover the costs of this supply through an energy service rate of 8.644 cents per kWh for its residential and small commercial customer group. As a result, a residential customer using 650 kWh per month will experience an overall increase in its monthly bill of \$6.59 (from \$111.43 to \$118.02) or about 5.9 percent.

**I. PROCEDURAL HISTORY**

On June 19, 2017, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities ("Liberty") filed a request for approval of its solicitation and procurement of default energy service for 100 percent of power supply requirements for the six-month period August 1, 2017, through January 31, 2018. The solicitation requested power supply for Liberty's large and

medium commercial and industrial customers (“Large Customer Group”),<sup>1</sup> and its small commercial and residential customers (“Small Customer Group”).<sup>2</sup> Liberty filed the request pursuant to 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), Order No. 25,601 (November 27, 2013), and Order No. 25,806 (September 2, 2015).

Consistent with the last of those orders, Order No. 25,806, Liberty has shifted its default service periods to two six-month periods that begin February 1 and August 1. Each of the six-month periods includes one of the two high-priced winter months. In this proceeding, for the energy service period beginning August 1, 2017, Liberty sought two consecutive three-month power supply blocks for its Large Customer Group and one six-month supply block for its Small Customer Group.

On May 23, 2017, Liberty filed its energy service reconciliation for the period August 1, 2016, to July 31, 2017. The May 23 filing included the testimony and related exhibits of Heather M. Tebbetts, a Utility Analyst employed by Liberty Utilities Service Corp., which provides services to Liberty. In her prefiled testimony, Ms. Tebbetts provided the result of the reconciliation of (1) energy service power supply expense and applicable revenue, (2) costs and revenues associated with compliance with the New Hampshire Renewable Portfolio Standard (“RPS”) requirements, and (3) administrative costs and associated revenues incurred in connection with providing energy service for the period. Liberty’s reconciliation filing also proposed an adjustment to the RPS adder that the Company uses to procure compliance with

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<sup>1</sup> The Large Customer Group includes 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.

<sup>2</sup> The Small Customer Group includes 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 Heating Rate V, under the Company’s Retail Delivery Tariff.

New Hampshire's RPS law. The information in the May 23 reconciliation filing was updated in a Technical Statement filed June 19, 2017. This Technical Statement also contained proposed Energy Service rates. On June 23, Liberty filed a letter correcting p. 65 of the Technical Statement which showed an incorrect rate of \$0.09429 for the Large Customer Group for November, 2017. The corrected the rate is \$0.07699 per kWh.

Also on June 19, Liberty filed the testimony of John D. Warshaw who is employed as Manager, Electric Supply by Liberty Utilities Service Corp. Mr. Warshaw's testimony described the default energy service procurement process. Liberty's June 19 filing contained confidential information, including the Company's master power agreement transaction confirmations with the winning suppliers, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested confidential treatment of the information pursuant to Puc 201.06(a) (15) and, at the hearing, the Commission accepted Liberty's request for confidential treatment.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Liberty**

#### **1. RFP Process**

Liberty said it conducted its solicitation process consistent with the terms of the settlement agreement. Liberty issued a request for proposals ("RFP") on May 1, 2017, to approximately 25 potential suppliers. In addition, Liberty distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its energy supply website. The RFP requested fixed pricing for each month of service on an as-delivered energy basis.

Liberty received indicative proposals on June 6, 2017, and final proposals one week later. Liberty evaluated the bids received and for each customer group, chose the supplier that (1) provided a bid that was conforming to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed Liberty's qualitative evaluation. On June 14, Liberty entered into a wholesale Transaction Confirmation with Direct Energy Business Marketing, LLC ("Direct Energy"), as the winning bidder for the Large Customer Group for two three-month blocks, between August 1, 2017, and January 31, 2018. Liberty also selected Direct Energy to provide energy service to the Small Customer Group for the six-month period from August 1, 2017, through January 31, 2018.

The Commission approved the Master Power Agreement with Direct Energy in DE 14-031, Order No. 25,719 (September 29, 2014).<sup>3</sup> Liberty provided the transaction confirmations associated with the Master Power Agreement and the current solicitation in this filing.

Liberty reported that a similar number of companies provided final bids in this solicitation as compared with the most recent solicitations. Liberty said the prices bid in this solicitation are higher than the prices that were bid for the same time period last year, due to significant increases in the cost of meeting the forward capacity obligations in New England. According to the Company's analysis, the load-weighted average of the power supply costs for the six-month period beginning August 1, 2017, is 8.644 cents per kWh for the Small Customer Group, compared to the load-weighted average of the power supply costs of 6.868 cents per kWh for the six-month period beginning August 1, 2016. Liberty testified that this change shows the increase in power supply costs for the upcoming period is primarily due to the increase in forward capacity costs.

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<sup>3</sup> At the time, Direct Energy was known as Energy America LLC.

## 2. RPS Adder

Under the Settlement Agreement, Liberty includes an RPS adder in its calculation of the energy service rate and requests approval of that adder. Liberty said that, for compliance year 2018, the Company is obligated to either purchase renewable energy certificates (“RECs”)<sup>4</sup> or make alternative compliance payments (“ACPs”) equal to 18.5 percent of retail sales. This is a modest increase from the 2017 obligation of 17.6 percent. Liberty calculated an RPS compliance adder of 0.411 cents per kWh to be effective January 1, 2018, a decrease from the 2017 RPS compliance adder of 0.425 cents per kWh.

Liberty asked, but did not require, bidders responding to the RFPs for energy supply to also provide a separate RPS compliance adder with their bids. *See* Order No. 24,922 (December 19, 2008). Liberty testified that it solicited bids for RECs to meet its 2017 obligations. Because only one month of 2018 is included in this energy service period, Liberty elected not to seek bids for its 2018 obligations. Liberty stated that it will notify the winning bidders of its RFPs for its 2017 obligations by June 30 and it will provide an update in its December 2017 Energy Service filing. The RPS adder proposed in this case is based on a combination of prices Liberty received in its RPS solicitations.

## 3. Retail Rates

Liberty calculates the base energy rate for both customer groups using the applicable loss factor and then adjusts the rates by including the RPS adder, and the factors that reconcile any over- or under-recoveries. In this proceeding, to provide better matching of revenues and expenses in its rate calculation, Liberty adopted accrual accounting for unbilled revenues and

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<sup>4</sup> Each REC equals one megawatt of renewable energy.

expenses. This is consistent with a settlement agreement approved by the Commission in Liberty's most recent distribution rate case, DE 16-383, Order No. 26,005 at 9 (April 12, 2017).

With the inclusion of the RPS adder, reconciliation factors, and the accruals, Liberty calculated an energy service rate of 8.644 cents per kWh for the Small Customer Group for the six-month period beginning August 1, 2017. The result for a residential customer using 650 kWh per month is a 5.92 percent increase in monthly bills, based on currently effective rates, from \$111.43 to \$118.02.

For the Large Customer Group, Liberty develops base energy service rates that vary by month. Liberty then adjusts those rates using the reconciliation factors and RPS adders, to calculate a total energy service rate for each month in the energy service period. As a result of those calculations, Liberty derived the following monthly rates for customers in the Large Customer Group.

August 2017	7.167 cents per kWh
September 2017	7.019 cents per kWh
October 2017	6.939 cents per kWh
November 2017	7.699 cents per kWh
December 2017	9.429 cents per kWh
January 2018	11.619 cents per kWh

#### **B. Office of Consumer Advocate**

The OCA stated that it is generally supportive of the Company's filing.

#### **C. Staff**

Staff said it had reviewed the filing and determined that the Company had conducted the solicitation, bid evaluation, and selection of winning bidders according to the requirements of Commission Orders. Staff concluded that the resulting rates are market-based as required by

RSA 374-F, and are just and reasonable as required by RSA 374:2. Staff recommended that the Commission approve the filing.

### **III. COMMISSION ANALYSIS**

We find that Liberty complied with the procedures approved in the Settlement Agreement approved in Order 24,577, as amended in subsequent dockets, regarding its issuance of the RFP, its analysis of the bids, and its selection of the winning bidders. 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 requirements of RSA 374-F:3, V(c) that default service be procured through the competitive market, and that the resulting rates are just and reasonable as required by RSA 374:2.

We further find that Liberty's evaluation of the bids and its selection of suppliers were reasonable and appropriate. Liberty's testimony and its bid evaluation report indicate that bid prices reflect expected market conditions for the time periods in question.

We also approve the results of the reconciliation filing and Liberty's proposal to decrease the RPS compliance adder effective with services rendered on and after August 1, 2017. We have some concerns, however, regarding Liberty's explanation of the reconciliation process. While the Commission approved the concept of accrual accounting for reconciliation filings in Liberty's last distribution rate case, we find the record in this abbreviated docket insufficient to fully explain and support the underlying calculation and appropriateness of the two accrual figures presented in the case. *See*, Exhibit 2, at 72, Line 2 (\$1,563,102) and Line 3 (\$2,624,187). Accordingly, we will approve the proposed rates but require Liberty to provide additional detail and support for those specific figures at the time it files complying tariffs. The

explanation should be filed in this docket. Any adjustment required after review of the additional support can be made in Liberty's next energy service reconciliation filing.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the Master Power Agreement Transaction entered into between Direct Energy Business 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 two consecutive three-month blocks of power beginning August 1, 2017, and the resulting default energy service rates, are hereby APPROVED; and it is

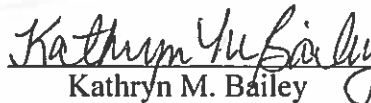
**FURTHER ORDERED**, that that the Master Power Agreement Transaction entered into between Direct Energy Business Marketing, LLC, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, for default service power supply for the Small Customer Group for the six-month block of power beginning August 1, 2017, and the resulting default energy service rates, are hereby APPROVED; 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 twenty-sixth day of June, 2017.



Martin P. Honigberg  
Chairman



Kathryn M. Bailey  
Commissioner

Attested by:



Lori A. Davis  
Assistant Secretary