

**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. 26,086

December 18, 2017

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; Consumer Advocate D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, 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. Liberty is authorized to recover the costs of this supply through an energy service rate of 8.931 cents per kilowatt hour (kWh) for its residential and small commercial customer group. As a result, a residential customer taking default energy service from Liberty and using 650 kWh per month will experience an increase of 1.58 percent in monthly bills, from \$118.02 per month to \$119.88 per month as compared with the current energy service period ending January 31, 2018.

I. PROCEDURAL HISTORY

On December 11, 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 February 1, 2018, through July 31, 2018. The solicitation requested power supply for Liberty's

large and medium commercial and industrial customers (Large Customer Group),¹ and its small commercial and residential customers (Small Customer Group).² Liberty filed its 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 Order No. 25,806, Liberty solicits default service in two six-month periods that begin February 1 and August 1 of each year. Both of these six-month periods include one of the two traditionally high-priced winter months. For the energy service period beginning February 1, 2018, Liberty contracted for two consecutive three-month power supply blocks for its Large Customer Group, and one six-month supply block for its Small Customer Group. Liberty's filing also requested an adjustment to the adder that the Company uses to procure compliance with the New Hampshire Renewable Portfolio Standard ("RPS").

With its filing, Liberty included the supporting testimony and related exhibits of John D. Warshaw and Heather Tebbetts. Mr. Warshaw is employed as Manager, Electric Service, by Liberty Utilities Service Corp., the service affiliate of Liberty, and Ms. Tebbetts is employed as a Utility Analyst by Liberty Utilities Service Corp.

Mr. Warshaw's testimony described the default energy service procurement process. Liberty's filing also contained certain confidential information, including the Company's master power agreement with the winning supplier, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested

¹ The Large Customer Group consists 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 tariff.

² The Small Customer Group consists 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-1, or Limited Commercial Space Heating Rate V, under the Company's Retail Delivery Tariff.

confidential treatment of the information, and the Commission acknowledged Liberty's request at hearing.

The Office of the Consumer Advocate (OCA) filed a letter of participation in this docket on April 24, 2017.

This order and prior docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-058.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

1. RFP Process

According to Liberty, it conducted its solicitation process consistent with the terms of the Settlement Agreement approved by the Commission. Liberty issued requests for proposals ("RFPs") on November 1, 2017, to approximately 25 potential suppliers. In addition, Liberty distributed the RFPs to all members of the New England Power Pool Markets Committee and posted the RFPs on its energy supply website. The RFPs requested fixed pricing for each month of service on an as-delivered energy basis.

Liberty received indicative bids on November 28, 2017, and final proposals on December 5, 2017. Liberty evaluated the bids and selected the bidder that (1) provided a bid that was conforming to the RFP, (2) had the lowest price, (3) met the credit requirement described in the RFP, and (4) passed Liberty's qualitative evaluation. Based on its evaluation, Liberty selected Vitol, Inc. ("Vitol"), to supply both three-month blocks of energy service to its Large Customer Group, and Exelon Generation Company, LLC ("Exelon"), to supply all of the energy requirements of the Small Customer Group for the six-month period. Liberty attached a

Transaction Confirmation and a Master Power Agreement Liberty executed with Vitol to its petition, with certain confidential sections redacted, and a copy of the Transaction Confirmation with Exelon. The Master Power Agreement with Exelon was previously filed with the Commission on March 20, 2006, in connection with Liberty's 2006 default energy service procurement proceeding.

Liberty said that the load-weighted commodity cost for the six-month period beginning February 1, 2018, for the Small Customer Group will be 8.931 cents per kWh. That represents a slight increase from the commodity cost of 8.644 cents per kWh for the period ending January 31, 2018, and an increase from the commodity cost of 7.630 cents per kWh for the February through July 2017 default service period. Liberty attributed the increase in the commodity cost to the doubling of the cost of meeting Forward Capacity Market obligations and uncertainty regarding what the actual costs will be during the 2017-2018 winter period. In response to questions at hearing, Liberty explained that the Company is undertaking measures to address its critical peak and peak loads in an effort to contribute to a reduction in capacity costs.

2. RPS Adder

Pursuant to the approved settlement agreement, Liberty includes an RPS adder in the calculation of its energy service rate and requests approval of that adder. For compliance year 2018, RSA 362-F:3 requires that the Company either purchase renewable energy certificates ("RECs")³ or make alternative compliance payments ("ACPs") equal to 18.7 percent of retail sales, an increase from the 2017 obligation of 17.6 percent. In this filing, Liberty proposes to adjust the RPS adder for the Large Customer Group from the current rate of 0.445 cents per kWh to 0.462 cents per kWh.

³ Each REC represents one megawatt of renewable energy.

Liberty also proposes to adjust the RPS adder for the Small Customer Group. When it issues its solicitation for power supply, Liberty also asks suppliers to provide a separate RPS compliance adder with their bid, pursuant to order No. 24,922 (Dec. 19, 2008). Liberty said that Exelon submitted an RPS compliance adder of 0.384 cents per kWh with its bid, and Liberty accepted the RPS adder with the power supply bid. According to Liberty, its analysis of the RPS adder proposed by Exelon compared favorably with the market rate for RPS compliance. In addition, Liberty explained that customers would be held harmless in the event that actual RPS compliance costs exceeded the revenue received through the adder.

3. Retail Rates

Liberty calculates the base energy service rate for both the Large and Small 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.⁴ With the inclusion of the RPS adder and reconciliation factor, the resulting rate for the Small Customer Group is 8.931 cents per kWh for the six-month period beginning February 1, 2018. For a residential customer taking default energy service from Liberty and using 650 kWh per month, the result will be an increase of 1.58 percent in monthly bills, from \$118.02 per month to \$119.88 per month.

For the Large Customer Group, Liberty develops monthly base energy rates that vary from month to month. Liberty then adjusts the base rates by adding the reconciliation factors and the RPS adder. The result is a total energy service rate for each month. For the six-month period beginning February 1, 2018, the result is the following rates:

⁴ Liberty calculates the reconciliation of the RPS and energy service costs and revenues on an annual basis in its June energy service filing.

February 2018	12.068 cents per kWh
March 2018	9.383 cents per kWh
April 2018	7.935 cents per kWh
May 2018	7.323 cents per kWh
June 2018	7.902 cents per kWh
July 2018	8.046 cents per kWh

B. OCA

The OCA recommended that the Commission approve the filing. The OCA pointed out that the power supply was procured in the competitive market and that the resulting rates are just and reasonable. In addition, the OCA expressed appreciation for Liberty's efforts to address the Forward Capacity Market issues.

C. Staff

Staff said that Liberty conducted the bid solicitation, evaluation, and selection process in accordance with prior Commission orders. Staff concluded that because the power supply was a result of a competitive bid process, the costs of the power supply should be recovered through rates as requested by Liberty.

III. COMMISSION ANALYSIS

Based on the filing and the information presented at hearing, we find that Liberty complied with the procedures established by the Settlement Agreement approved in Order No. 24,577, as amended in subsequent proceedings, regarding the solicitation, evaluation and selection of winning bidders. We are also satisfied that Liberty's RFP for power supply received the attention of multiple potential suppliers, that the energy service supply was procured through the competitive market as required by RSA 374-F:3, V(c), and that the resulting rates are just and

reasonable as required by RSA 374:2, 378:5 and 378:7. Liberty's testimony and bid evaluation report support our conclusion that the resulting rates reflect market conditions.

We also approve Liberty's acceptance of the RPS adder bid by Exelon for the Small Customer Group, and approve Liberty's proposal to adjust the RPS compliance adder for the Large Customer Groups effective with services rendered on and after February 1, 2018.

Based upon the foregoing, it is hereby

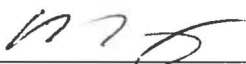
ORDERED, that the Master Power Agreement and Transaction Confirmation entered into between Liberty and Vitol, Inc., to provide 100 percent of the power requirements for Liberty's Large Customer Group for the six-month period beginning February 1, 2018, and the resulting rates to recover the costs of the power supply, are hereby APPROVED; and it is

FURTHER ORDERED, that the Transaction Confirmation entered into between Liberty and Exelon Generation Company, LLC, to provide 100 percent of the power requirements for Liberty's Small Customer Group for the six-month period beginning February 1, 2018, and the resulting rates to recover the costs of the power supply, are hereby APPROVED ; and it is

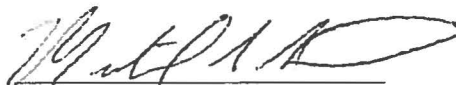
FURTHER ORDERED, that the proposed adjustment to the RPS adder for the Large Customer Group and Liberty's selection of the RPS adder bid offered by Exelon the Small Customer Group for the period beginning February 1, 2018, are hereby APPROVED; and it is

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 eighteenth day of
December, 2017.

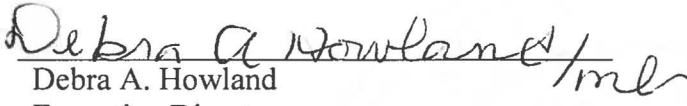


Martin P. Honigberg
Chairman



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director