

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-018

GRANITE STATE ELECTRIC COMPANY D/B/A LIBERTY UTILITIES

**Petition for Approval of Default Service Solicitation and Resulting Rates for Large and
Small Customer Groups for the Period Beginning November 1, 2013**

**Order Approving Solicitation and Selection of
Default Service Supplier and Resulting Rates**

ORDER NO. 25,573

September 19, 2013

APPEARANCES: Devine, Millimet & Branch P.A. by Kevin M. Baum, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; Office of Consumer Advocate by Susan W. Chamberlain, Esq. on behalf of residential customers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On September 13, 2013, Granite State Electric Company d/b/a Liberty Utilities (Granite State 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 November 1, 2013 through January 31, 2014, and for 100% of its supply requirements for its residential and small commercial customers (Small Customer Group) for the period November 1, 2013 through April 30, 2014. 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 Proposals*, 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 exhibits of John D. Warshaw, Manager, Electricity Supply for Liberty Energy Utilities (New Hampshire) Corp. (Liberty NH). Liberty NH is the sole shareholder of Granite State. Granite State also included in its filing its most recent customer migration report.

Granite State selected NextEra Energy Power Marketing, LLC (NextEra) as the winning bidder to provide default service to the Large Customer Group from November 1, 2013 through January 31, 2014 and DTE Energy Trading, Inc. (DTE) as the winning bidder to provide default service to the Small Customers Group for the period November 1, 2013 through April 30, 2014. According to Granite State, the overall bill impact for large customers taking service under Rate G1 will be bill increases for the three-month period from November 2013 through January 2014 ranging from 21.5% to 27.0% as compared with the three-month period ending October 31, 2013. Residential customers in the Small Customer Group using 678 kilowatt-hours (kWh) per month, the average use by residential customers for the 12-month period ending August 2013, will experience a monthly bill increase from \$97.51 to \$111.83, a 14.7% increase. Other customers in the Small Customer Group will experience bill increases ranging from 14.0% to 21.2%, depending on usage.

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 a copy of the Company's transaction confirmation 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).

The Office of Consumer Advocate previously filed a letter of participation in this docket on February 5, 2013.

The Commission issued a Secretarial Letter on September 13, 2013 scheduling a hearing for September 18, 2013. The hearing was held as scheduled. Also on September 18, 2013, Granite State filed updated schedules requested at hearing and designated as Hearing Exhibit 11.

II. POSITIONS OF THE PARTIES AND STAFF

A. Granite State

Granite State 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 August 9, 2013, it issued a request for proposals (RFPs) to approximately twenty-five potential suppliers soliciting power for the period November 1, 2013 through January 31, 2014 for the Large Customer Group and for the period November 1, 2013 through April 30, 2014 for the Small Customer Group. Granite State 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, Granite State solicited only for all-inclusive energy and capacity supply.

Granite State testified that it received indicative bids on September 3, 2013 and final bids on September 10, 2013. Granite State 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 Granite State's qualitative criteria. On September 10, 2013, Granite State selected NextEra to supply default service to the Large Customer Group for the period from November 2013 through January 2014 and entered into a wholesale transaction confirmation on the same day. According to Granite State, a copy of the NextEra master power agreement was filed with the Commission on September 20, 2010 in Docket No. DE 10-020, Granite State's 2010 default service proceeding.¹ For Small Customer Group power supply, Granite State selected DTE to supply default service and stated that it also entered into a transaction confirmation with DTE on September 10, 2013. Granite State testified that a copy of the DTE master power agreement was filed with the Commission on December 14, 2009 in Docket No. DE 09-010, the Company's 2009 default service docket.²

Granite State testified the bill impacts resulting from the solicitation of default service supply would result in bill increases. For a default service residential customer with an average monthly usage of 678 kWh, which is the average monthly usage of the twelve month period ending August 2013, bills would increase by \$14.32 per month, or 14.7%, from \$97.51 to \$111.83. Similarly, the Large Customer Group would experience increases ranging from 21.5% to 27.0% as compared to the three-month period ending October 2013.

According to the filing, the load-weighted average of power supply costs for the Large Customer Group for the three month period from November 1, 2013 through January 31, 2014 is

¹ The Commission approved the NextEra master contract in Order No. 25,150 (September 27, 2010) in Docket DE 10-020.

² The Commission approved the DTE master contract in Order No. 25,055 (December 21, 2009) in Docket DE 09-010.

\$0.08736 per kWh compared to the load-weighted average of \$0.05855 for the three month period ending October 31, 2013. For the Small Customer Group, the load-weighted average of power supply costs for rates effective November 1, 2013 is \$0.08379 compared with the load-weighted average of \$0.06078 for the period ending October 31, 2013.

Granite State also provided an exhibit that depicted the difference between the commodity prices for winter period of 2012-13 and the commodity prices forecast for the winter period of 2013-2014 for the Small Customer Group. The forecast commodity prices for the winter period of 2013-2014 are approximately 28.5% higher than the winter prices for the 2012-2013 period. Granite State said that while the New England Region experiences peak demand in the summer months, the Region currently experiences peak prices in the winter months, caused, in part, by the winter demand for natural gas for both heating and electricity.

Pursuant to a settlement agreement approved by the Commission in Order No. 24,953 (March 23, 2009), Granite State 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. According to Granite State, the RPS compliance adder from the winning bidder for the Large Customer Group was higher than Granite State's forecast market price for RECs. As a result, Granite State did not accept that bidder's RPS compliance adder. Granite State testified that the winning bidder for the Small Customer Group did not submit a RPS compliance adder. To comply with the RPS requirements, Granite State said that it plans to issue an RFP in the future for the acquisition of RECs.

To recover costs of RPS compliance, Granite State testified that it calculates an RPS compliance adder to be added to the base default service rate. Granite State proposed to change the RPS adder from \$0.00428 per kWh to \$0.00290 per kWh for the Small Customer Group for

the months of November and December 2013 and to \$0.00525 per kWh for the months January through April 2014. For the Large Customer Group, the Company proposes an RPS adder of \$0.00290 per kWh for the months of November and December, 2013, and \$0.00525 per kWh for the month of January, 2014. Granite State testified that these changes reflected updated REC prices from broker sheets.

In its calculation of default service rates for effect November 1, 2013, Granite State also included a credit to default service customers for certain Regional Greenhouse Gas Initiative (RGGI) revenue rebates Granite State received from the State of New Hampshire pursuant to Order No. 25,471 (March 8, 2013) in Docket No. DE 12-362.³ Granite State testified that it had received two rebate checks from the State of New Hampshire and calculated a RGGI Auction Excess Revenue Adjustment Factor credit of \$0.00212 per kWh which it proposes to apply to customer bills as of November 1, 2013. Granite State stated that it will reconcile the actual factor credited to customers against the funds received plus any applicable interest in the next default service reconciliation filing. In response to inquiry, Granite State said that the Company was aware of a new law that would require the RGGI rebate revenues to be credited back to all electric customers, not just default service customers, effective January 1, 2014 and that the Company planned to make the necessary changes to comply with the new law.

For both the Small and Large Customer Groups, Granite State 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 to determine the kWh retail rate (in cents per kWh). After adjustments for reconciliation and reclassification, the adder for

³ Order No. 25,471 implemented an amendment to RSA 125-O:19 et seq. (2012 N.H. Laws Ch. 281). The amendment required that any RGGI auction proceeds in excess of one dollar for each RGGI allowance be rebated to all default service electric ratepayers in the state on a per kilowatt-hour basis in a timely manner as determined by the Commission.

compliance with the Company's RPS obligations, and the \$0.00212 per kWh credit associated with the RGGI rebate, the proposed default service rate for the Small Customer Group for the six month period beginning November 1, 2013 will be \$0.08769 per kWh. For the Large Customer Group, the Company develops rates that vary month by month. Including the adjustments for reconciliation and reclassification, the RPS compliance adder and the \$0.00212 per kWh credit associated with the RGGI rebate, the default service rates for the Large Customer Group will be \$0.06272 per kWh for November, 2013, \$0.09078 per kWh for December 2013 and \$0.11518 per kWh for January 2014.

In its prefiled testimony, Granite State testified that some market uncertainty affected the bids due to the Independent System Operator-New England (ISO-NE) proposed Winter 2013-2014 Reliability Program which was pending before the Federal Energy Regulatory Commission (FERC) for approval at the time of the filing. One of the uncertainties concerned cost recovery and whether the costs would be assigned to transmission rates or to Load Serving Entities (LSE's) with a real time load obligation. To alleviate that uncertainty for bidders, Granite State notified bidders that if FERC approved the Winter Reliability program, the bidders, who are LSE's, would be able to pass-through their actual costs to Granite State incremental to the final default service prices.

On September 17, 2013, FERC approved the program design and decided that costs for the Winter Reliability program should be recovered from LSE's with a real time load obligation. Therefore, based on the pass through provision that Granite State included in its RFP, these costs will ultimately be recovered from default service customers. At hearing, Granite State amended their filing by requesting the Commission approve the Company's proposal to begin recovery of the estimated costs of the Winter Reliability through a surcharge on default service rates.

Granite State explained that the Winter Reliability Costs would only be incurred for the months of December 2013, and January and February, 2014. Granite State testified that the average surcharge would be \$0.00241 per kWh. For the Large Customer Group, the Company would apply the surcharge on a per kWh basis for the months of December and January. Granite State explained that it would propose to add the surcharge to the rates for the Large Customer Group for the month of February 2014 in its next default service filing. The Company stated that by adding the winter surcharge, rates for the Large Customer Group would increase by 24% to 29% over currently effective rates. For the Small Customer Group, Granite State calculated a surcharge designed to recover the Small Customer's group share of the Winter Reliability costs over the six month period November 2013 through April 2014. As a result, a residential default service customer using 678 kWh a month would experience a monthly bill increase of 15.6% from a currently monthly bill of \$97.51, to \$112.72.

Granite State concluded by requesting that the Commission (1) find that the Company conducted the solicitation and selection of suppliers consistent with the process approved by the Commission in Order No. 24,577, (2) approve the resulting rates, (3) allow the Company to assess a surcharge to recover its costs associated with the ISO-NE winter reliability program with default service rates effective November 1, 2013 and (4) grant confidential treatment of the information redacted from the public filing consistent with Puc 201.04, Puc 201.06 and Puc 201.07.

B. Office of Consumer Advocate

The OCA stated that it was concerned about rate shock for residential customers due to the increase in rates resulting from the default service solicitation and the addition of the surcharge to recover costs associated with the ISO winter reliability program. The OCA further

opined that the increased rates may result in more residential customers using energy efficiency or migrating to competitive supply, and stated that it did not object to the filing.

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 were market based. Staff recommended that the Commission approve the petition. Staff also agreed with Granite State's claim that information redacted from the public filing was entitled to confidential treatment pursuant to Puc 201.06 and 201.07. Finally, Staff stated that it did not object to the Company's proposal to begin collecting the ISO-NE winter reliability program with default service rates as proposed by the Company.

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 November 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 requirements of RSA 374-F:3, V(c) that default service be procured through the competitive market. Pursuant to RSA 378:40 and :41 we find that Granite State's filing is in conformance with the least cost integrated resource plan filed and reviewed in DE 07-052 accepted in Order No. 24,826 (Feb. 29, 2008).

We also find that Granite State's evaluation of the bids and its selection of NextEra to provide default service for the Large Customer Group for the three-month period beginning November 1, 2013 and its selection of DTE to provide default service for the Small Customer Group for the six-month period beginning November 1, 2013 are reasonable. The testimony of Granite State, 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.

We also find that it is appropriate for the Company to begin to recover the costs associated with the ISO-NE winter reliability program during the default service period beginning November 1, 2013. We direct Granite State to separately track the costs and revenues associated with the winter reliability program and to reconcile any over- or under-collections at the end of the program's term.

Granite State submitted certain information as confidential pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06 and 201.07. The information for which Granite State 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 public filing, we find that the category of information for which Granite State 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

Granite State'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 FERC.

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 November 1, 2013 and the resulting rates of \$0.06272 per kWh for November 2013, \$0.09319 per kWh for December 2013, and \$0.11759 per kWh for January, 2014 are hereby APPROVED; and it is

FURTHER ORDERED, that the Power Supply Agreement entered into between DTE Energy Trading, Inc. 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 November 1, 2013 and the resulting rate of \$0.08899 per kWh are hereby APPROVED; and it is

FURTHER ORDERED, that Granite State is hereby authorized to begin to collect the costs associated with the ISO-NE winter reliability program with default service rates effective November 1, 2013 as further described herein; and it is

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

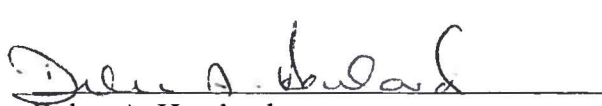
By order of the Public Utilities Commission of New Hampshire this nineteenth day of
September, 2013.



Michael D. Harrington
Commissioner

Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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