

**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 Related Rates for Large  
Commercial and Industrial Customers**

**Order Approving Solicitation and Resulting Default Service Rates**

**ORDER NO. 25,609**

**December 23, 2013**

**APPEARANCES:** Sarah B. Knowlton, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; the Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

**I. PROCEDURAL HISTORY**

On December 16, 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 February 1 through April 30, 2014. Granite State selected Dominion Energy Marketing, Inc. (Dominion) as its winning default service supplier for this period. In support of its petition, Granite State filed the testimony of John D. Warshaw with related exhibits. Mr. Warshaw is employed by Liberty Energy NH as Manager, Electric Supply. With its filing, Granite State proposed an adjustment to the Renewable Portfolio Standard (RPS) adder used to procure compliance with New Hampshire's RPS law and filed its quarterly migration report with its petition. In addition, Granite State provided an update to settlement negotiations with National Grid regarding payment to Granite State for borderline sales by Granite State to Massachusetts Electric Company (MECO) customers for the period from June 2006 and September 2012. With

the proposed rates resulting from this solicitation, typical monthly bill impacts for the Large Customer Group will be increases ranging from 8.5% to 10.2%.

Granite State made this filing pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (January 13, 2006) 91 NH PUC 6. In Order No. 24,577, the Commission approved the process for the solicitation, bid evaluation and procurement of default service by National Grid, the previous owner of Granite State Electric Company, for its default service customers, including its Large Customer Group.<sup>1</sup> According to the terms of the settlement agreement, Granite State, now owned by Liberty Utilities NH, procures default service supply for its Large Customer Group under three-month contracts with fixed monthly prices that vary from month to month. The settlement agreement provides that the Company charge the Large Customer Group retail rates consisting of monthly fixed energy charges, administrative costs, a reconciliation charge and a cost for complying with the New Hampshire RPS Law (RSA 362-F).

With its petition, Granite State submitted separately filed confidential information including the Company's transaction confirmation with the winning supplier, 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 (FERC) requires those prices to be made public.

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<sup>1</sup> On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which Liberty Energy NH acquired Granite State Electric Company and EnergyNorth Natural Gas, Inc. from National Grid.

On December 18, 2013, Granite State filed a motion for confidential treatment for portions of its pre-filed testimony which address the status of settlement discussions with National Grid regarding borderline sales.

A hearing was held on December 19, 2013. At the hearing, the Commission granted Granite State's motion for protective order regarding the portion of pre-filed testimony that addressed its settlement discussions with National Grid regarding the cross border sales issue.

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

### **A. Granite State**

Granite State testified that it conducted its solicitation process consistent with the terms of the settlement agreement approved by the Commission in Order No. 24,577. The request for proposal (RFP) which was issued on November 8, 2013 solicited fixed pricing for each month of service on an as-delivered energy basis and allowed prices to vary by month.

According to Granite State, the RFP was issued to approximately 25 potential suppliers. The RFP was also distributed to all members of the New England Power Pool Markets Committee and posted on Granite State's energy supply website. According to Granite State, the RFP was widely distributed throughout the New England energy supply marketplace.

The Company testified that suppliers submitted indicative bids on December 3, 2013 and final proposals on December 10, 2013. Granite State testified that it evaluated the bids and selected Dominion because its bid conformed to the RFP, had the lowest price, met the credit requirements described in the RFP and passed Granite State's qualitative evaluation. The Company attested that it complied with the solicitation and bid evaluation process approved by the Commission and asserted that its choice of supplier is reasonable.

On December 11, 2013, Granite State entered into a wholesale transaction confirmation with Dominion to provide default service to the Large Customer Group for the period February through April 2014. According to the Company, a copy of the Dominion master power agreement was filed with the Commission on March 16, 2009 in Docket No. DE 09-010, the 2009 default service proceeding.<sup>2</sup>

Granite State testified that its RPS obligation for 2014 require it to purchase 5.0% of its power from new renewable (Class I) sources, 0.4% from new useful thermal (Class I Thermal) sources, 0.3% from solar (Class II) sources, 7.0% from existing biomass (Class III) sources, and 1.4% from existing small hydro (Class IV) sources. In accordance with Order No. 24,922 (December 19, 2008) in Granite State Electric Company's 2008 default service proceeding, the Company requests bidders for default service supply to also provide a separate RPS compliance adder with their bids. The Company 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 connected with the default service obligation. According to the Company, no bidder elected to supply a RPS compliance adder with its bid response.

Granite State testified that it would meet its RPS compliance requirements by issuing an RFP to procure Renewable Energy Certificates (RECs) (one REC representing one megawatt hour of delivered power); and that if it could not purchase a sufficient number of RECs through the RFP process, the Company would make alternative compliance payments (ACP) into the Renewable Energy Fund. According to the Company, the latest REC RFP resulted in bids for Class I (new renewable source) RECs only, and based on that result, the Company now assumes that it will meet its RPS requirements through the payment ACPs. As a result, Granite State requested authorization to increase the RPS adder from \$0.00525 per kWh to \$0.00553 per kWh

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<sup>2</sup> The Commission approved the contract in Order No. 24,953 (March 23, 2009) in Docket DE 09-010.

for its Large Customer Group customers effective February 1, 2014 for the three-month default service period.

Granite State testified that the Independent System Operator-New England (ISO-NE) Winter 2013-2014 Reliability Program is effective for the months of December 2013 and January and February 2014. In Order No. 25,573 (September 19, 2013) in this docket, the Commission approved Granite State's request to collect the costs associated with the Winter Reliability Program by applying a Winter Reliability Program adder of \$0.00241 per kWh to the default service rates for December 2013 and January 2014. In the instant filing, the Company included the adder of \$0.00241 per kWh to develop the energy service rates for the Large Customer Group for the month of February 2014.

In its calculation of default service rates for the Large Customer Group for the period beginning February 1, 2014, Granite State also included a credit 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.<sup>3</sup> Granite State testified that it began applying the rebate to customer bills with rates effective November 1, 2013. The amount of the RGGI rebate is a credit of \$0.00212 per kWh to default service rates. The Company testified that as of January 1, 2014, a law change requires the RGGI revenue rebates to go to all customers, and not just default service customers. Granite State requested that the Commission authorize the Company to rebate the RGGI credits through its retail rate reconciliation filing which the Company makes in November of each year. Granite State explained that its retail rate reconciliation filing is the only rate mechanism that affects the rates

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<sup>3</sup> Order No. 25,471 implemented an amendment to RSA 125-O:19 et seq. (2012 N.H. Laws Ch. 218). 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.

of all Granite State customers. The Company said if the Commission approves its proposal, it can take the necessary administrative steps to assure that the RGGI rebate monies are appropriately calculated and credited to customers.

Granite State testified that the rates for the Large Customer Group for the period February 1 through April 30, 2014, including the various components that comprise the energy service rate, in cost per kWh would be as follows:

Month	February 2014	March 2014	April 2014
Energy Rate	\$0.15332	\$0.08257	\$0.06306
Reconciling Factors	\$0.00126	\$0.00126	\$0.00126
RGGI Auction Rebates	(\$0.00212)	(\$0.00212)	(\$0.00212)
Winter Reliability Costs	\$0.00241	\$0.00000	\$0.00000
RPS Adder	\$0.00553	\$0.00553	\$0.00553
Total Default Service	\$0.16040	\$0.08724	\$0.06773

Granite State testified that the future market prices for electricity in 2014 are significantly higher than the prices just one year ago. According to the Company, the prices are higher because the New England generation mix has become dominated by natural gas generation. As a result, there is a significant fear in the market that if New England experiences a prolonged cold snap, there may not be sufficient natural gas supply to meet the supply needs of electric generation for the 2013-2014 winter period. Granite State explained that although the ISO-NE has implemented the Winter Reliability Program to offset the risk, the market still views a potential supply disruption as a significant risk and that viewpoint is reflected in the market prices during the winter months. Consequently, the commodity cost for the month of February 2014 is much higher than the commodity cost for the months of March and April 2014.

At hearing, Granite State provided an update of the negotiations with National Grid regarding the cross border sales issues between the Company and MECO.

Granite State attested that the filing is in compliance with the principles of its most recently filed and accepted least cost plan pursuant to RSA 378:40. Granite State requested that the Commission approve its petition and issue an order no later than December 23, 2013.

**B. Office of Consumer Advocate**

The Office of Consumer Advocated stated that it did not object to the filing.

**C. Commission Staff**

Staff stated that it had reviewed the petition and determined that Granite State had complied with the settlement agreement approved by the Commission in Order No. 24,577 in conducting the bid solicitation and bid evaluation process, and in its selection of the winning bidder. Staff said that based upon its review, the resulting rates are market based. Staff also noted that, based upon its review, the information claimed to be confidential by the Company was similar to other information which the Commission had found to be confidential pursuant to New Hampshire Code Admin. Rules Puc 201. Staff recommended that the Commission approve the petition.

**III. COMMISSION ANALYSIS**

Based on the record in this proceeding, we find that Granite State 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 Large Customer Group for the three-month period beginning February 1, 2014. 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 Docket DE 07-052 and accepted in Order No. 24,826 (February 29, 2008).

Further, we find that Granite State's evaluation of the bids and its selection of Dominion to provide default service for the Large Customer Group for the three-month period beginning February 1, 2014 complies with our prior orders and statutory requirements. The Company's testimony, together with its bid evaluation report, indicates that the bid prices reflect expected market conditions for the period from February 1 through April 30, 2014. In light of the competitive procurement and the analysis that the proposed default service rates reflect current market conditions, we will approve the default service rates.

We also find that it is appropriate for the Company to adjust the RPS for the three-month period from February 1, 2014 through April 30, 2014 given its stated inability to procure market-priced RECs through the RFP process. We also note that we addressed the requirements for Granite State to separately track the costs and revenues associated with the Winter Reliability Program in Order No. 25,573 (Sept. 19, 2013) in this docket and approve Granite State's inclusion of the costs to comply with the Winter Reliability Program in the rates of customers in the Large Customer Group for the month of February 2013.

Finally, we approve the Company's request to use its retail rate reconciliation mechanism as the method to rebate RGGI rebate monies to all customers as required effective January 1, 2014. We accept the Company's testimony that the retail rate reconciliation filing is the Company's only rate mechanism that impacts rates for all of its customers and not just its default service customers and, consequently, we find the requested relief to be just and reasonable.

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 the Company seeks



confidential treatment consists of the Company's transaction confirmation with Dominion, the 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 in default service proceedings and granted confidential treatment 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 Transaction Confirmation and Wholesale Power Agreement between Dominion Energy Marketing, Inc. and Granite State Electric Company d/b/a Liberty Utilities for default service supply for the Large Customer Group for the three-month period beginning February 1, 2014 and the resulting rates of \$0.16040 for February 2014, \$0.08724 for March 2014, and \$0.06773 for April 2014 are hereby APPROVED; and it is


**FURTHER ORDERED**, that Granite State is hereby authorized to collect the costs associated with the ISO-NE's winter reliability program in Large Customer Group rates for the month of February 2014; and it is

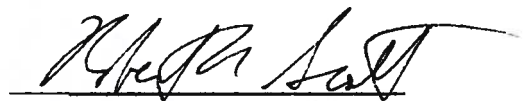
**FURTHER ORDERED**, that Granite State is also authorized to adjust its RPS adder for the Large Customer Group from \$0.00525 per kWh to \$0.00553 per kWh for the three-month period from February 1, 2014 through April 30, 2014; and it is

**FURTHER ORDERED**, that Granite State's request to use its retail rate reconciliation mechanism as a vehicle to credit certain RGGI auction proceeds to all of its customers is hereby APPROVED; 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 twenty-third day of December, 2013.

  
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Amy L. Ignatius  
Chairman

  
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Robert R. Scott  
Commissioner

Attested by:

  
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Kimberly Nolin Smith  
Assistant Secretary

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SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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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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