

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

**DE 15-010**

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

**Petition for Approval of Revisions  
to Default Service Solicitation Process**

NOW COMES Liberty Utilities (Granite State Electric) Corp d/b/a Liberty Utilities ("Liberty" or "Company") and hereby submits this Petition requesting approval of the New Hampshire Public Utilities Commission (the "Commission") to change the procurement schedule for energy service supply to Liberty's customers taking Energy Service. In support of its petition, Liberty states as follows:

1. The current process for the procurement of energy supplies for Liberty's medium and large customers (the "Large Customer Group") and for Liberty's residential and small commercial customers (the "Small Customer Group") when a customer in either group is not purchasing its energy supply from a competitive electric power supplier or aggregator is set forth in the Settlement between Liberty, the Commission Staff and the Office of the Consumer Advocate. That settlement was approved by the Commission in Docket No. DE 05-126 in Order No. 24,577 (January 13, 2006), as modified in Order No. 29,992 (December 18, 2008) and subsequently modified in Order No. 25,601 (November 27, 2013) (as amended, the "Settlement Agreement"). Pursuant to the terms of the Settlement Agreement, solicitations for the Large Customer Group and the Small Customer Group are issued semi-annually.

2. Liberty proposes to further amend the Settlement Agreement to change the required procurement schedule for the Small and Large Customer Groups to separate the two highest priced winter months by procuring power for the periods of February 1 to July 31 and August 1 to January 31. This proposal is consistent with the Commission's comments in Docket No. IR14-338 in which they would like to see the parties work together on three topics:

- i) Shortening the time from bid to approval

- ii) Separating the reconciliation process from the rate-setting process
- iii) Time-shifting the six-month period which rates are in effect so that the high-priced winter months are split between two periods

3. This Petition is proposing to implement two of the three suggestions made by the Commission. As discussed in greater detail in the Technical Statement of John D. Warshaw attached to this Petition, the proposed change to the energy service procurement schedule will significantly reduce price volatility without negatively impacting the Company's customers.

4. The Company is also proposing to file its annual reconciliation for the Energy Service rate at least thirty days in advance of the Energy Service rate filing to allow parties sufficient time for discovery prior to the hearing. The current process provides that the reconciliation of the Energy Service rate be filed concurrently with the Energy Service rate filing, just days before the hearing is scheduled, thus not allowing sufficient time for review of the reconciliation.

WHEREFORE, Liberty respectfully requests that the Commission issue an Order *nisi* approving the requested amendment to the Settlement agreement so that Liberty may incorporate these changes in the next energy service solicitation to be issued in August 2015 and to grant such other and further relief as may be just and equitable.

Respectfully submitted,

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

By:   
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Dated: July 22, 2015

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STATE OF NEW HAMPSHIRE BEFORE  
THE PUBLIC UTILITIES COMMISSION

Docket No. DE 15-010  
Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

Petition for Approval of Revisions to Default Service Solicitation Process

Proposal to Change Procurement Schedule for both  
The Small and Large Customer Groups

Technical Statement of John D. Warshaw

## **Proposal to Change Procurement Schedule**

### **I. Introduction**

This proposal arises out of the Settlement Agreement regarding Post-Transition Energy<sup>1</sup> Service Filing between Liberty Utilities (Granite State Electric) Corp. ("Liberty" or "Company"), the Staff of the Public Utilities Commission and the Office of the Consumer Advocate, which was approved by the Commission in Docket No. DE 05-126 on January 13, 2006, subsequently modified and approved on December 19, 2008 in Order No. 24,922 and further modified and approved on November 27, 2013 in Order No. 25,601 (as amended, "Settlement Agreement"). The Settlement Agreement sets forth the process for the procurement of energy supply for Liberty's medium and large customers (the "Large Customer Group") and for Liberty's residential and small commercial customers (the "Small Customer Group") when a customer in either group is not purchasing its energy supply from a Competitive Electric Power Supplier or Aggregator. As discussed below, Liberty is requesting approval of the Public Utilities Commission (the "Commission") to change the required procurement schedule from the currently approved six-month periods beginning November 1 and May 1 to the proposed six-month periods beginning February 1 and August 1.

### **II. Background**

On November 24, 2014, the Commission issued an Order of Notice opening Docket No. IR 14-338 for the purpose of reviewing various approaches to Energy Service solicitations. In the Order of Notice, the Commission directed Staff to conduct stakeholder discussions with electric distribution utilities, competitive suppliers, market participants and customer representatives on different approaches to Energy Service solicitations. All three of the electric distribution companies in New Hampshire were made mandatory parties to the investigation.

The Commission Staff held several technical sessions to discuss with parties various options for pricing and the procurement of Energy Service by distribution utilities. On May 27,

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<sup>1</sup> In Order 24,614, the Commission changed the name of default service to energy service.

2015, the Commission held a hearing to discuss the parties' positions on changes to the procurement process before the coming winter's procurements take place. The Commission in its final comments at the hearing explained that they would like to see the parties work together on three topics<sup>2</sup>:

1. Shortening the time from bid to approval
2. Separating the reconciliation process from the rate-setting process
3. Time-shifting the six-month period which rates are in effect so that the high-priced winter months are split between two periods

### **III. Proposal to Implement the Commission's Comments.**

On July 1, 2015 Liberty met with the Commission Staff, the Office of Consumer Advocate (OCA), and the Office of Energy and Planning (OEP) to discuss how to implement the Commission's suggestions. Regarding the Commission's first suggestion involving the shortening of the time frame from bid to approval in a solicitation, the parties concluded that such a change would require either a change to RSA 378:3<sup>3</sup> or an adjudicative proceeding by the Commission to determine what the appropriate process should be with regard to proper notice to the Commission and to the public of any rate change by the utilities. Since this change requires further investigation and thus would not be able to be implemented before the next procurement period, Liberty is not proposing to change the bid to approval process at this time.

With respect to the second suggestion, Liberty proposes to file its annual Energy Service reconciliation at least 30 days in advance of an Energy Service rate filing to allow time for parties to review the filing and request additional information during the discovery process. Under the current process, the reconciliation of costs for the 12-month period ending in January of the current year is filed concurrently with the mid-March Energy Service rate filing for rates effective May 1. Under Liberty's proposal (to be implemented in conjunction with the proposed change in the solicitation periods) the reconciliation process will commence annually in mid-May, with a filing approximately thirty days prior to a mid-June Energy Service rate filing for rates to be effective August 1. The reconciliation period will cover the previous 12-month period ending July 31. The reconciliation filing will also eliminate the mismatch that currently exists between the reconciliation period and the period during which rates are in effect.

Due to the specific solicitation periods in the Settlement Agreement, Liberty is proposing the following change to implement the Commission's suggestion to split the highest cost winter months between two periods. Liberty proposes to transition from the current May through October and November through April service periods to August through January and February through July service periods. The result of this change is to have service periods in which the high wholesale electricity cost months of January and February are not together in the same service period, thus reducing price volatility for the Small Customer Group. The following table summarizes the proposed Energy Service procurement schedule:

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<sup>2</sup> See transcript of the May 27, 2015 Hearing in IR 14-338, Page 74, Line 14 through Page 75 Line 8.

<sup>3</sup> RSA 378:3 – Unless the commission otherwise orders, no change shall be made in any rate, fare, charge or price, which shall have been filed or published by a public utility in compliance with the requirements hereof, except after 30 days' notice to the commission and such notice to the public as the commission shall direct.

<b>DESCRIPTION</b>	<b>SERVICE PERIOD 1</b>	<b>SERVICE PERIOD 2</b>
Small Customer Group Supply Period	February 1 through July 31	August 1 through January 31
Large Customer Group Supply Period	February 1 through July 31	August 1 through January 31
RFP Issued	Early – November	Mid- May
Bids Due	Mid – December	Mid- June
Commitments Made	Mid – December	Mid- June
Proposed Rates and Confidential Bid Summary Filed with the Commission	No later than three business days following execution of transactions	
Commission Action (approval or denial) of Proposed Rates	No later than five business days following filing with the Commission.	

As shown in the following table, which compares approved Energy Service retail rates for the Small Customer Group to the two proposed service periods, the price volatility between the two periods will be significantly reduced:

<b>Proposed Service Period</b>	<b>Energy Service Rate (¢/kWh)</b>	<b>Current Service Period</b>	<b>Energy Service Rate (¢/kWh)</b>
Feb-July	0.1053	Nov - April	0.15487
Aug - January	0.1133	May - October	0.07063
Absolute Difference	0.0079		0.08424

In order to implement this change as soon as possible, Liberty proposes to issue a nine-month solicitation for the period November 1, 2015 to July 31, 2016. Liberty’s current energy service agreements for both the Large and Small Customer Groups end on October 31, 2015. By moving to the new service period with the next solicitation, Liberty will be able to achieve the Commission’s suggestion of separating the two highest cost winter months, January and February, into two separate service periods at the earliest possible time.

As shown in the following table, implementing a nine-month solicitation will significantly reduce the expected price volatility for the Small Customer Group when compared to the current retail rate and estimated retail rates using current NYMEX Electric Futures.

Solicitation Period	Expected Retail Price (¢/kWh)	# of Months
May 1 '15 - Oct 31 '15 (ACTUAL)	7.063	6
Nov 1 '15 - Apr 30 '16	11.6	6
Nov 1 '15- Jan 31 '16	12.2	3
Feb 1 '16 - July 31 '16	9.0	6
Nov 1 '15 - July 31 '16	10.0	9

As demonstrated above, the expected retail rate for a nine-month solicitation would minimize retail price volatility for the Small Customer Group and allow Liberty to move to the new service periods in the shortest amount of time, thus achieving one of the Commission's suggestions.

This proposal also results in a change to the service periods for the Large Customer Group. The retail rates for the Large Customer Group will continue to provide only a monthly rate and not a fixed rate for the period, consistent with the Settlement Agreement. The only change would be to implement the proposed periods of February through July and August through January. For the next solicitation, Liberty proposes a nine-month period to allow the solicitation period to coincide with the proposed Small Customer Group solicitation period.

In summary, Liberty is proposing to modify the Settlement Agreement to change the two current solicitation periods from May 1 through October 31 and November 1 through April 30 to the proposed periods of February 1 through July 31 and August 1 through January 31.