

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

Docket No. DE 16-249

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period February 1, 2017 - July 31, 2017

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

December 12, 2016

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I. Introduction

Q. Please state your name and business address.

A. My name is John D. Warshaw and my business address is 15 Buttrick Road,
Londonderry, NH 03053.

Q. Please state your position.

A. I am the Manager, Electric Supply for Liberty Utilities Service Corp. (“Liberty”), which
provides services to Liberty Utilities (Granite State Electric) Corp. (“Granite State” or
“Liberty Utilities” or “the Company”). I oversee the procurement of power for Energy
Service for Granite State as well as the procurement of renewable energy certificates
(“RECs”).

Q. Please describe your educational background and training.

A. I graduated from the State University of New York Maritime College in 1977 with a
Bachelor of Science in Nuclear Science. I received a Master’s in Business
Administration from Northeastern University in 1986. In 1992 I earned a Master of Arts
in Energy and Environmental Management from Boston University.

Q. What is your professional background?

A. In November 2011 I joined Liberty as Manager, Electric Supply for Granite State. Prior
to my employment at Liberty, I was employed by National Grid USA Service Company
(“National Grid”) as a Principal Analyst in Energy Supply – New England from 2000 to
2010. In that position I conducted a number of solicitations for wholesale power to meet
the needs of National Grid’s New England distribution companies. I also administered

1 both short-term and long-term power purchase agreements for National Grid's New
2 England distribution companies. Prior to my employment at National Grid, I was
3 employed at COM/Energy (now NSTAR) from 1992 to 2000. From 1992 to 1997 I was
4 a Rate Analyst in Regulatory Affairs at COM/Energy responsible for supporting state and
5 federal rate filings. In 1997 I transferred to COM/Electric to work in Power Supply
6 Administration.

7 **Q. Have you previously testified before the New Hampshire Public Utilities**
8 **Commission ("Commission")?**

9 A. Yes. I most recently testified before the Commission in Docket No. DE 16-249 on June
10 23, 2016.

11 **Q. Have you testified before any other state regulatory agencies?**

12 A. Yes. I have testified before both the Massachusetts Department of Public Utilities and
13 the Rhode Island Public Utilities Commission regarding electric supply and renewable
14 portfolio procurement activities.

15 **II. Purpose of Testimony**

16 **Q. Mr. Warshaw, what is the purpose of your testimony?**

17 A. The purpose of my testimony is to request Commission approval of Liberty Utilities'
18 proposed Energy Service rates for both: (i) the Large and Medium Commercial and
19 Industrial Customer Group ("Large Customer Group"¹); and (ii) the Residential and

¹ The Large Customer Group is comprised of customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of the Company's Retail Delivery Tariff.

1 Small Commercial Customer Group (“Small Customer Group”²) for the six-month period
2 February 1, 2017 - July 31, 2017. My testimony will describe the process used by
3 Liberty Utilities to procure Energy Service for both the Large and Small Customer
4 Groups, the proposed Energy Service rates, how the Company proposes to meet its 2017
5 Renewable Portfolio Standard (“RPS”) obligations, and the resulting Renewable Portfolio
6 Standard Adder for service rendered on and after February 1, 2017.

7 **Q. Please provide the list of schedules attached to your testimony.**

- | | | | |
|----|----|----------------|---|
| 8 | A. | Schedule JDW-1 | Energy Service RFP February 1, 2017 - July 31, 2017 |
| 9 | | Schedule JDW-2 | Energy Service Procurement Summary |
| 10 | | Schedule JDW-3 | Comparison of Change in Futures Prices to Change in Procurement |
| 11 | | | Costs |
| 12 | | Schedule JDW-4 | Energy Service Contract for both the Large Customer Group and |
| 13 | | | Small Customer Group February 1, 2017 - July 31, 2017 and |
| 14 | | | Calpine Master Power Agreement |
| 15 | | Schedule JDW-5 | Calpine Master Power Agreement marked to show changes from |
| 16 | | | standard |
| 17 | | Schedule JDW-6 | Summary of May 2016 RPS Solicitation |

18 **III. Energy Service Bidding Process**

19 **Q. Mr. Warshaw, why does Liberty Utilities need to procure Energy Service for both**
20 **the Large and Small Customer Groups for the period beginning February 1, 2017?**

21 A. Pursuant to the procurement process approved by the Commission, which I describe later
22 in my testimony, Liberty Utilities procures power supply through contracts having a
23 three-month term for the Large Customer Group and a six-month term for the Small
24 Customer Group. Liberty Utilities’ currently effective Energy Service supply contracts

² The Small Customer Group is comprised 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-3; or Limited Commercial Space Heating Rate V of the Company’s Retail Delivery Tariff.

1 for both the Large and Small Customer Groups expire on January 31, 2017. Therefore, to
2 assure that Energy Service will continue to be available, Liberty Utilities requires new
3 Energy Service supply arrangements beginning February 1, 2017.

4 **Q. Please describe the process Liberty Utilities used to procure its Energy Service**
5 **supply for the period beginning February 1, 2017.**

6 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with
7 applicable law and Commission directives. The Company complied with the solicitation,
8 bid evaluation, and procurement process set forth in the Settlement Agreement dated
9 November 18, 2005, which agreement was approved by the Commission in Order No.
10 24,577 (January 13, 2006) in Docket No. DE 05-126, amended by Order No. 24,922 in
11 Docket No. DE 08-011, amended by Order No. 25,601 in Docket No. DE 13-018, and
12 further amended by Order No. 25,806 in Docket No. DE 15-010 (as amended, the
13 “Settlement Agreement”). On November 1, 2016, Liberty Utilities issued a request for
14 proposals (“RFP”) for certain power supply services and sought suppliers for Liberty
15 Utilities’ Energy Service covering both the Large and Small Customer Groups.

16 **Q. Was the Company’s solicitation for the period beginning February 1, 2017,**
17 **consistent with the Commission approved process for Energy Service?**

18 A. Yes, Liberty Utilities’ Energy Service RFP was conducted consistent with the
19 Commission approved process.

1 **Q. Could you describe the nature of the RFP that Liberty Utilities issued?**

2 A. On November 1, 2016, Liberty Utilities issued a RFP to approximately twenty-five
3 potential suppliers soliciting power supplies for the period February 1, 2017 - July 31,
4 2017. Liberty Utilities also distributed the RFP to all members of the New England
5 Power Pool (“NEPOOL”) Markets Committee and posted the RFP on Liberty Utilities’
6 energy supply website. As a result, the RFP had wide distribution throughout the New
7 England energy supply marketplace. The RFP requested fixed pricing for each month of
8 service on an as-delivered energy basis. Prices could vary by month and by service—that
9 is, the prices did not have to be uniform across the entire service period or between the
10 three load blocks. A copy of the RFP is provided as Schedule JDW-1.

11 **IV. Results of Energy Service Bidding**

12 **Q. Mr. Warshaw, did Liberty Utilities receive responses to the RFP?**

13 A. Yes. Indicative proposals were received on November 29, 2016. Final proposals were
14 received on December 6, 2016. None of the bidders made their provision of Liberty
15 Utilities’ Energy Service contingent upon the provision of any other service.

16 **Q. Was participation in this RFP similar to past RFPs?**

17 A. No, there was much more participation. Liberty Utilities had the largest number of
18 bidders participating in this RFP since it began issuing solicitations in 2012.

1 **Q. How do the current futures prices for electricity and natural gas compare to the**
2 **futures prices at the time of the Company's previous two solicitations?**

3 A. The futures market prices for electricity and natural gas at the time of the August 20,
4 2015, and May 9, 2016, solicitations as well as current futures market prices are shown in
5 Schedule JDW-3. These are the most recent solicitations for the Small Customer Group.
6 As shown, current electric wholesale prices are higher when compared to the May 9,
7 2016, solicitation but lower when compared to the August 20, 2015, solicitation.

8 **Q. Did Liberty Utilities select any of the proposals received in response to the RFP?**

9 A. Yes. Liberty Utilities evaluated the bids received and selected the two suppliers that: (i)
10 provided a bid that was conforming to the RFP; (ii) had the lowest price; (iii) met the
11 credit requirements described in the RFP; and (iv) passed our qualitative evaluation. On
12 December 6, 2016, Liberty Utilities entered into a wholesale Transaction Confirmation
13 with Calpine Energy Services, L.P ("Calpine"), the winning bidder for both the two
14 Large Customer Group blocks, to provide Energy Service to the Large Customer Group
15 for the six-month period February 1, 2017 - July 31, 2017 and the Small Customer Group
16 for the six-month period February 1, 2017 - July 31, 2017. Together, a Transaction
17 Confirmation and a Master Power Agreement provide the terms for the purchase of
18 Energy Service from a supplier.

19 A copy of the Calpine Master Power Agreement and the Transaction Confirmation
20 between Liberty and Calpine, with certain confidential sections redacted, is attached
21 hereto as Schedule JDW-4. A copy of the Calpine Master Power Agreement marked to
22 show changes from the standard agreement is attached as Schedule JDW- 5.

V. Renewable Portfolio Standard

Q. Mr. Warshaw, what are the RPS obligations for 2017?

A. As specified in the RPS law, RSA 362-F, a provider of electricity must obtain and retire certificates sufficient in number and class type to meet the following minimum percentages of total megawatt-hours of electricity supplied by the provider to its customers that year:

| NH-RPS Classes | 2017 |
|-----------------------|-------------|
| RPS Class I | 6.4% |
| RPS Class I Thermal | 1.4% |
| RPS Class II | 0.3% |
| RPS Class III | 8.0% |
| RPS Class IV | 1.5% |
| Total | 17.6% |

Q. How does Liberty Utilities expect to satisfy its RPS obligations consistent with the RPS rules as promulgated by the Commission?

A. On February 18, 2009, Liberty Utilities entered into an amended settlement agreement with the Commission Staff and the Office of Consumer Advocate intended to resolve all issues associated with the process by which Liberty Utilities would comply with the requirements of the RPS law and the Puc 2500 rules ("Amended RPS Settlement"). The Amended RPS Settlement was approved by the Commission on March 23, 2009, in Order No. 24,953 in Docket No. DE 09-010. The Company may satisfy RPS obligations by providing either RECs for each RPS class from the New England Power Pool Generation Information System ("NEPOOL-GIS") or by making an Alternative Compliance

1 Payment (“ACP”) to the State of New Hampshire’s Renewable Energy Fund. As
2 specified in the Amended RPS Settlement, Liberty Utilities requested bidders to provide
3 a separate RPS compliance adder with their bids. This RPS compliance adder is the
4 incremental charge by a bidder for agreeing to take on the RPS obligation with the
5 Energy Service obligation.

6 **Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder**
7 **satisfy the RPS obligation?**

8 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
9 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
10 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company
11 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
12 multiplying the RPS obligation percentage for each REC class by the electricity sales for
13 the term of the transaction.

14 **Q. What were the criteria Liberty Utilities used to evaluate the RPS compliance adder**
15 **provided by the bidder?**

16 A. Liberty Utilities would compare the adder provided by the bidder to the current market
17 prices for RPS RECs. Calpine submitted an RPS compliance adder with its bid, but the
18 Calpine adder was significantly higher than the market price of RECs and thus was not
19 accepted.

1 **Q. Is Liberty Utilities proposing any changes to the RPS compliance adder at this time?**

2 A. Yes. Liberty Utilities is proposing to change the Commission-approved RPS compliance
3 adder to reflect the results of its recent RPS solicitation to meet the RPS obligations of
4 2017. Liberty Utilities issued a request for proposals on November 1, 2016, for the
5 acquisition of New Hampshire RPS compliant RECs to meet its 2016 and 2017
6 obligations. The results of Liberty Utilities' November 1, 2016, solicitation are included
7 in Schedule JDW-2, Exhibit 10. At this time, Liberty Utilities has completed its analysis
8 of the bids but has not started contract negotiations with the bidders. Liberty Utilities
9 will notify the winning bidders by December 31, 2016, and will provide an update in the
10 next Energy Service filing scheduled for June 2017. Liberty Utilities proposes to use a
11 combination of the bid prices for RPS classes for which it received bids in its November
12 1, 2016, RPS solicitation and the applicable ACP for those RPS classes for which no bids
13 were received.

14 **Q. How did Liberty Utilities calculate the Renewable Portfolio Standard Adder?**

15 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used a combination of prices
16 it received in its RPS solicitation and ACPs. The retail RPS costs were calculated on a
17 per megawatt-hour (MWh) basis. The Company divided the calculated costs by ten in
18 order to convert from dollars per MWh retail cost to cents per kilowatt-hour (kWh) rate
19 for retail use.

1 **Q. What happens if Liberty Utilities' actual RPS compliance costs are different from**
2 **those used in calculating the RPS compliance adder?**

3 A. As described in Ms. Tebbetts' testimony filed on June 20, 2016, in this proceeding,
4 Liberty Utilities reconciles its costs of RPS compliance with the revenue billed to
5 customers from the RPS compliance adder. This reconciliation occurs as part of the
6 annual Energy Service reconciliation. The next annual Energy Service reconciliation
7 filing will occur in June 2017.

8 **Q. Has Liberty Utilities been able to contract for RECs?**

9 A. Yes. In September and October 2015, Liberty Utilities was able to contract for Class I,
10 Class II, and Class IV RECs to help meet a portion of its 2016 RPS obligations. A
11 summary of the results of Liberty Utilities' May 9, 2016, RPS solicitation is included in
12 Schedule JDW-6. Due to the low level of participation in this RPS solicitation, Liberty
13 Utilities did not enter into any contracts. If Liberty Utilities is unable to purchase
14 sufficient RECs to meet its New Hampshire RPS obligations, it will then, consistent with
15 the RPS rules, make an ACP to the State of New Hampshire's Renewable Energy Fund.

16 **Q. When will Liberty Utilities issue the next REC request for proposals?**

17 A. Liberty Utilities plans to issue a RPS solicitation in May 2017 to procure RECs to satisfy
18 the 2017 and 2018 RPS obligations. Through that solicitation, Liberty Utilities will
19 attempt to procure the quantity of RECs necessary to satisfy the 2017 and 2018
20 obligations for load that will be serviced under Energy Service supply contracts.

1 **VI. Energy Service Commodity Costs**

2 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**
3 **Liberty Utilities' expected procurement cost used to develop the proposed retail**
4 **rates.**

5 A. The load-weighted average of the power supply costs for the Large Customer Group for
6 February 1, 2017 - July 31, 2017 is 7.420¢ per kWh compared to the load-weighted
7 average of 6.861¢ per kWh for the period August 1, 2016 - January 31, 2017. The load-
8 weighted average of the power supply costs for the Small Customer Group for February
9 1, 2017 - July 31, 2017 is 7.630¢ per kWh compared to the load-weighted average of
10 6.868¢ per kWh for the period August 1, 2016 - January 31, 2017. The power supply
11 costs at the retail customer meter (¢ per kWh) were calculated by multiplying the
12 commodity prices at the wholesale level (\$ per MWh) by the applicable loss factor and
13 then dividing the results by ten. The applicable loss factors can be found in the RFP
14 summary in Schedule JDW-2. The loss factor is a calculated ratio of wholesale
15 purchases to retail deliveries.

16 **Q. How will Liberty Utilities reconcile any difference in costs associated with Energy**
17 **Service?**

18 A. To the extent that the actual cost of procuring Energy Service varies from the amounts
19 billed to customers for the service, Liberty Utilities will reconcile the difference through
20 the reconciliation mechanism pursuant to Liberty Utilities' Energy Service Adjustment
21 Provision contained in its currently effective Retail Delivery Tariff.

VII. CONCLUSION

Q. Mr. Warshaw, when will Liberty Utilities issue the next RFP for Energy Service?

A. Both the Large Customer Group rates proposed in this filing and the Small Customer Group Rates end on July 31, 2017. Per the terms of the Settlement Agreement, Liberty Utilities will issue a RFP for both groups in May 2017. For purposes of notice to the Commission, the following table illustrates Liberty Utilities' proposed timeline for the next RFP:

| RFP Process Steps | May 2017 RFP |
|-------------------------------------|---------------------|
| RFP Issued | May 1, 2017 |
| Indicative Bids Due | June 6, 2017 |
| Final Bids Due | June 13, 2017 |
| Energy Service Filing to Commission | June 19, 2017 |
| Commission Order Needed | June 26, 2017 |
| Service Begins | August 1, 2017 |

Q. Does this conclude your testimony?

A. Yes, it does.