

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-249

**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. 25,908

June 27, 2016

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of the Consumer Advocate by Donald M. Kreis, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq. and Paul B. Dexter, 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. The Commission authorizes Liberty to recover the costs of this supply through an energy service rate of 6.868 cents per kWh for its residential and small commercial customer group. As a result, a residential customer using 650 kWh per month will experience an overall decrease in its monthly bill of \$15.29 (from \$109.47 to \$94.18) or about 14 percent.

I. PROCEDURAL HISTORY

On June 20, 2016, 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 August 1, 2016, through January 31, 2017. 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 the request pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (Jan. 13, 2006), as modified by Order No. 24,922 (Dec. 19, 2008), Order No. 25,601 (Nov. 27, 2013), and Order No. 25,806 (Sept. 2, 2015).

Consistent with Order No. 25,806, Liberty has shifted its default service periods to two six-month periods that begin February 1 and August 1. Each of these six-month periods includes one of the two high-priced winter months and the shift is expected to smooth rates for default service customers. In this proceeding, for the energy service period beginning August 1, 2016, Liberty sought two consecutive three-month power supply blocks for its Large Customer Group and one six-month supply block for its Small Customer Group. The Company will make a similar solicitation for the six-month period beginning February 1, 2017.

On May 20, 2016, Liberty filed its energy service reconciliation for the period November 1, 2015, to July 31, 2016. The May 20th filing included the testimony of Heather M. Tebbetts, a Utility Analyst employed by Liberty Utilities Service Corp. which provides services to Liberty Utilities (Granite State Electric) Corp., and provided the result of the reconciliation of (1) energy service power supply expense and applicable revenue, (2) costs and revenues associated with compliance with the New Hampshire Renewable Portfolio Standard (RPS) requirements, and (3) administrative costs and associated revenues incurred in connection with providing energy service for the period. Liberty's reconciliation filing also proposed an

¹ The Large Customer Group is comprised 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 Delivery Tariff.

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, under the Company's Retail Delivery Tariff.

adjustment to the RPS adder that the Company uses to procure compliance with New Hampshire's RPS law. The information in the May 20th reconciliation filing was updated in a Technical Statement of Heather M. Tebbetts filed June 20, 2016. This Technical Statement also contained proposed Energy Service rates.

Also on June 20, Liberty filed the testimony of John D. Warshaw who is employed as Manager, Electric Supply by Liberty Utilities Service Corp. Mr. Warshaw's testimony described the default energy service procurement process. Liberty's June 20 filing also contained confidential information, including the Company's master power agreement transaction confirmations with the winning suppliers, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested confidential treatment of the information. The Commission granted Liberty's request for confidential treatment at the hearing.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

1. RFP Process

Liberty said it conducted its solicitation process consistent with the terms of the settlement agreement. Liberty issued a request for proposals (RFP) on May 9, 2016, to approximately 25 potential suppliers. In addition, Liberty distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its energy supply website. The RFP requested fixed pricing for each month of service on an as-delivered energy basis.

Liberty received indicative proposals on June 7, 2016, and final proposals one week later. Liberty evaluated the bids received and selected two suppliers, each of which (1) provided a bid

that was conforming to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed Liberty's qualitative evaluation. On June 14, Liberty entered into a wholesale Transaction Confirmation with Energy America, LLC ("EA"), as the winning bidder for the two Large Customer Group three-month blocks - for the combined six month period from August 1, 2016, through January 31, 2017. Liberty selected TransCanada Power Marketing, LTD ("TCPM"), to provide energy service to the Small Customer Group for the six-month period from August 1, 2016, through January 31, 2017.

The Commission approved the EA Master Power Agreement in DE 14-031 (Order No. 25,719, issued September 29, 2014), and the TCPM Master Power Agreement in DE 09-010 (Order No. 24,953, issued March 23, 2009). Liberty provided the transaction confirmations associated with the Master Power Agreements and the current solicitation in this filing.

Liberty reported that a similar number of companies provided final bids in this solicitation as compared to the most recent solicitations. Liberty said the prices bid in this solicitation are significantly lower than the prices that were bid for the same time period last year. According to the Company's analysis, the weighted average commodity cost for the six-month period beginning August 1, 2016, is 5.983 cents per kWh for the small customer group, compared to the weighted average commodity cost of 7.728 cents per kWh for the six-month period beginning August 1, 2015. Liberty testified that this change shows that the commodity costs of energy for this coming period are 22.6 percent less than the commodity costs in effect for same period last year.

2. RPS Adder

Under the Settlement Agreement, Liberty includes an RPS adder in its calculation of the energy service rate and requests approval of that adder. Liberty said that, for compliance year

2017, the Company is obligated to either purchase renewable energy certificates (RECs)³ or make alternative compliance payments (ACPs) equal to 17.6 percent of retail sales. This is an increase from the 2016 obligation of 9.2 percent.

The Company attributed the increase in the RPS adder to the fact that the Class III (existing biomass) REC requirement is scheduled to increase from .05 percent in 2016 to 8.0 percent in 2017. Liberty calculated an RPS compliance adder of 0.778 cents per kWh to be effective January 1, 2017, an increase from the 2016 RPS compliance adder of 0.407 cents per kWh. Liberty expects to pay \$43.50 for 2017 Class III RECs, which is slightly less than the Class III ACP of \$45.62.

Liberty asked, but did not require, bidders responding to the RFPs for energy supply to also provide a separate RPS compliance adder with their bids. *See* Order No. 24,922 (Dec. 19, 2008). Liberty said that some bidders submitted a proposed RPS compliance adder, but those bidders were not the lowest cost supply. Because none of the winning bidders submitted an RPS compliance adder, Liberty testified that it solicited bids for RECs to meet its 2016 obligations. Since only one month of 2017 is included in the RFP period, Liberty elected to not seek bids for its 2017 obligations. If the Company cannot procure an adequate number of RECs, it will make ACPs to comply with its 2016 and one month of its 2017 RPS obligations.

3. Retail Rates

Liberty calculates the base energy rate for both 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. With the inclusion of the RPS adder and reconciliation factors, Liberty calculated an energy service rate of 6.868 cents per kWh for the Small Customer Group for the six-month period beginning August 1, 2016. The result for an average residential

³ Each REC equals one megawatt of renewable energy.

customer using 650 kWh per month is a 13.97 percent decrease in monthly bills, based on currently effective rates, from \$109.47 to \$94.18.

For the Large Customer Group, Liberty develops base energy service rates that vary by month. Liberty then adjusts those rates using the reconciliation factors and RPS adders, to calculate a total energy service rate for each month in the energy service period. As a result of those calculations, Liberty derived the following monthly rates for customers in the Large Customer Group.

August 2016	5.858 cents per kWh
September 2016	5.515 cents per kWh
October 2016	5.371 cents per kWh
November 2017	6.265 cents per kWh
December 2017	7.973 cents per kWh
January 2017	10.551 cents per kWh

B. Office of Consumer Advocate

The OCA said the solicitation was consistent with statutory requirements and the resulting rates were reflective of a competitive market. The OCA stated support for the Company's filing.

C. Staff

Staff said it had reviewed the filing and determined that the Company had conducted the solicitation, bid evaluation, and selection of winning bidders according to the requirements of Commission Orders. Staff concluded that the resulting rates are market-based, and recommended that the Commission approve the filing.

III. COMMISSION ANALYSIS

We find that Liberty complied with the procedures approved in the Settlement Agreement approved in Order 24,577 and as amended in subsequent dockets regarding its analysis of the bids and its selection of the winning bidders. We are also satisfied that Liberty took appropriate

steps to solicit multiple potential suppliers in order to receive competitive bid responses. We find that the results are consistent with the requirements of RSA 374-F:3, V(c), that default service be procured through the competitive market, and that the resulting rates are just and reasonable as required by RSA 378:5 and :7.

We further find that Liberty's evaluation of the bids and its selection of suppliers were reasonable and appropriate. Liberty's testimony and its bid evaluation report indicate that bid prices reflect expected market conditions for the time periods in question.

Liberty submitted certain confidential information pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06, and 201.07. The information for which Liberty sought confidential treatment included the Company's transaction confirmations with the winning suppliers, bid evaluations and summaries, RPS compliance pricing, and retail meter commodity cost calculations. After reviewing the redacted material, we found at the hearing that the category of information for which Liberty sought confidential treatment was information routinely submitted in connection with default service proceedings, as defined in Puc 201.06(a) (15). The redacted information shall be accorded confidential treatment subject to the provisions of Puc 201.07, provided that the wholesale power costs contained in Liberty's filing shall be treated as confidential only until such time as the costs are made public through the operation of FERC rules.

We also approve the results of the reconciliation filing and Liberty's proposal to increase the RPS compliance adder effective with services rendered on and after August 1, 2016.

Based upon the foregoing, it is hereby

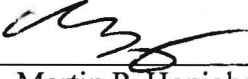
ORDERED, that the Master Power Agreement Transaction entered into between Energy America, LLC, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for

default service power supply for the Large Customer Group for two consecutive three-month blocks of power beginning August 1, 2016, and the resulting default energy service rates, are hereby APPROVED; and it is


FURTHER ORDERED, that the Master Power Agreement Transaction entered into between TransCanada Power Marketing, LTD, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, for default service power supply for the Small Customer Group for the six-month block of power beginning August 1, 2016, and the resulting default energy service rates, 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 twenty-seventh day of June, 2016.

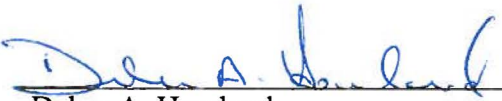


Martin P. Honigberg
Chairman



Kathryn M. Bailey
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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