

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

Docket No. DE 17-058

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Energy Service for the Period August 1, 2017, to January 31, 2018

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

June 19, 2017

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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, New Hampshire.

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,”
“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 of 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

1 administered both short-term and long-term power purchase agreements for National
2 Grid's New England distribution companies. Prior to my employment at National Grid, I
3 was employed at COM/Energy (now NSTAR) from 1992 to 2000. From 1992 to 1997, I
4 was a Rate Analyst in Regulatory Affairs at COM/Energy responsible for supporting state
5 and 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 17-049, Granite
10 State's Annual Retail Rate Adjustment, on April 11, 2017.

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 support the Company's request for Commission
18 approval of Liberty Utilities' proposed Energy Service rates for both (i) the Large and
19 Medium Commercial and Industrial Customer Group ("Large Customer Group"¹), 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.

(ii) the Residential and Small Commercial Customer Group (“Small Customer Group”²) for the six-month period August 1, 2017, through January 31, 2018. My testimony will describe the process used by Liberty Utilities to procure Energy Service for both the Large and Small Customer Groups, the proposed Energy Service rates, how the Company proposes to meet its 2017 and 2018 Renewable Portfolio Standard (“RPS”) obligations, and the resulting Renewable Portfolio Standard Adder for service rendered on and after August 1, 2017.

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

A.	Schedule JDW-1	Energy Service RFP August 1, 2017, through January 31, 2018
	Schedule JDW-2	Energy Service Procurement Summary
	Schedule JDW-3	Comparison of Change in Futures Prices to Change in Procurement Costs
	Schedule JDW-4	Energy Service Contract for both the Large Customer Group and Small Customer Group August 1, 2017, through January 31, 2018 with Direct Energy Business Marketing, LLC
	Schedule JDW-5	Summary of November 1, 2016 RPS Solicitation

III. Energy Service Bidding Process

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

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

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 Customer Group. Liberty Utilities' currently effective Energy Service supply contracts
2 for both the Large and Small Customer Groups expire on July 31, 2017. Therefore, to
3 assure that Energy Service will continue to be available, Liberty Utilities requires new
4 Energy Service supply arrangements beginning August 1, 2017.

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

7 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with
8 applicable law and Commission directives. The Company complied with the solicitation,
9 bid evaluation, and procurement process set forth in the Settlement Agreement dated
10 November 18, 2005, which agreement was approved by the Commission in Order No.
11 24,577 (Jan. 13, 2006) in Docket No. DE 05-126, amended by Order No. 24,922 (Dec.
12 19, 2008) in Docket No. DE 08-011, amended by Order No. 25,601 (Nov. 27, 2013) in
13 Docket No. DE 13-018, and further amended by Order No. 25,806 (Sept. 2, 2015) in
14 Docket No. DE 15-010 (as amended through these subsequent orders, the "Settlement
15 Agreement"). On November 1, 2016, Liberty Utilities issued a request for proposals
16 ("RFP") for certain power supply services and sought suppliers for Liberty Utilities'
17 Energy Service covering both the Large and Small Customer Groups.

18 **Q. Was the Company's solicitation for the period beginning August 1, 2017, consistent**
19 **with the Commission approved process for Energy Service?**

20 A. Yes, Liberty Utilities' Energy Service RFP was conducted consistent with the Settlement
21 Agreement.

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

2 A. On May 1, 2017, Liberty Utilities issued a RFP to approximately twenty-five potential
3 suppliers soliciting power supplies for the period August 1, 2017, through January 31,
4 2018. 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 June 6, 2017. Final proposals were received
14 on June 13, 2017. None of the bidders made their provision of Liberty Utilities’ Energy
15 Service contingent upon the provision of any other service.

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

17 A. Yes, participation was similar to past solicitations.

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

20 A. The futures market prices for electricity and natural gas at the time of the May 9, 2016,
21 and November 1, 2016, solicitations as well as current futures market prices are shown in

1 Schedule JDW-3. These are the most recent solicitations for the Small Customer Group.
2 As shown, current electric wholesale prices are lower when compared to both the May 9,
3 2016, and the November 1, 2016, solicitations, but the current natural gas prices are
4 higher when compared to the November 1, 2016, solicitation. The current purchase price
5 is significantly higher when compared to the November 1, 2016, solicitation for the same
6 service period. This can be attributed to a doubling of the cost of meeting the forward
7 capacity obligation in New England and uncertainty regarding what the actual costs will
8 be during Winter 2017-2018. The May 5, 2017, Quarterly Markets Report issued by ISO
9 New England reported that the total wholesale cost of electricity for Winter 2017 was
10 27% higher than Winter 2016.

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

12 A. Yes. Liberty Utilities evaluated the bids received and selected the supplier that: (i)
13 provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the
14 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On
15 June 14, 2017, Liberty Utilities entered into a wholesale Transaction Confirmation with
16 Direct Energy Business Marketing, LLC ("Direct"), the winning bidder for both the two
17 Large Customer Group blocks, to provide Energy Service to the Large Customer Group
18 for the six-month period August 1, 2017, through January 31, 2018, and the Small
19 Customer Group for the six-month period August 1, 2017, through January 31, 2018.
20 Together, a Transaction Confirmation and a Master Power Agreement provide the terms
21 for the purchase of Energy Service from a supplier.

A copy of the Direct Master Power Agreement was filed with the Commission on September 22, 2014, in Docket No. DE 14-031, a prior Energy Service proceeding. The Transaction Confirmation between Liberty Utilities and Direct, with certain confidential sections redacted, is attached hereto as Schedule JDW-4.

V. Renewable Portfolio Standard

Q. Mr. Warshaw, what are the RPS obligations for 2017 and 2018?

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	2018
RPS Class I	6.4%	7.2%
RPS Class I Thermal	1.4%	1.5%
RPS Class II	0.3%	0.3%
RPS Class III	8.0%	8.0%
RPS Class IV	1.5%	1.5%
Total	17.6%	18.5%

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

1 Amended RPS Settlement was approved by the Commission in Order No. 24,953 (Mar.
2 23, 2009) in Docket No. DE 09-010. The Company may satisfy RPS obligations by
3 providing either RECs for each RPS class from the New England Power Pool Generation
4 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance
5 Payment (“ACP”) to the State of New Hampshire’s Renewable Energy Fund. As
6 specified in the Amended RPS Settlement, Liberty Utilities requested bidders to provide
7 a separate RPS Compliance Adder with their bids. This RPS Compliance Adder is the
8 incremental charge by a bidder for agreeing to take on the RPS obligation with the
9 Energy Service obligation.

10 **Q. If a winning bidder’s RPS Compliance Adder is accepted, how would the bidder**
11 **satisfy the RPS obligation?**

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

18 **Q. What were the criteria Liberty Utilities would use to evaluate any RPS Compliance**
19 **Adder which may have been provided by a bidder?**

20 A. Liberty Utilities would compare the adder provided by a bidder to the current market
21 prices for RPS RECs.

1 **Q. Is Liberty Utilities proposing any changes to the Renewable Performance Standard**
2 **Adder at this time?**

3 A. Yes. Liberty Utilities is proposing to change the Commission-approved Renewable
4 Performance Standard Adder to reflect the results of its recent RPS solicitations to meet
5 the RPS obligations of 2017. Liberty Utilities issued a request for proposals on May 1,
6 2017, for the acquisition of New Hampshire RPS compliant RECs to meet its 2017
7 obligations. Since this RFP only includes one month of 2018, Liberty Utilities elected to
8 not seek bids for its 2018 RPS obligations. The results of Liberty Utilities' May 1, 2017,
9 solicitation are included in Schedule JDW-2, Exhibit 10. At this time, Liberty Utilities
10 has completed its analysis of the bids but has not started contract negotiations with the
11 bidders. Liberty Utilities will notify the winning bidders by June 30, 2017, and will
12 provide an update in the next Energy Service filing scheduled for December 2017.
13 Liberty Utilities proposes to use a combination of the bid prices for RPS classes for
14 which it received bids in its May 1, 2017, RPS solicitation and the resulting prices in the
15 contracts entered into from the November 1, 2016, RPS solicitation.

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

17 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used a combination of prices
18 it received in its two RPS solicitations. The retail RPS costs were calculated on a per
19 megawatt-hour (MWh) basis. The Company divided the calculated retail RPS costs by
20 ten in order to convert the units from dollars per MWh to a cents per kilowatt-hour (kWh)
21 rate to determine the Renewable Portfolio Standard Adder.

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

3 A. As described in Ms. Tebbetts' testimony filed on May 23, 2017, in this proceeding,
4 Liberty Utilities reconciles its costs of RPS compliance with the revenue billed to
5 customers from the Renewable Portfolio Standard Adder. This reconciliation occurs as
6 part of the annual Energy Service reconciliation. The next annual Energy Service
7 reconciliation filing will occur in June 2018.

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

9 A. Yes. In December 2016 and January 2017, Liberty Utilities was able to contract for
10 Class I, Class III, and Class IV RECs to help meet a portion of its 2016 and 2017 RPS
11 obligations. Liberty also entered into a purchase agreement for 2016 and 2017 Class I
12 Thermal RECs. A summary of the results of Liberty Utilities' November 1, 2016, RPS
13 solicitation is included in Schedule JDW-5.

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

15 A. Liberty Utilities plans to issue a RPS solicitation in November 2017 to procure RECs to
16 satisfy the 2017 and 2018 RPS obligations. Through that solicitation, Liberty Utilities
17 will attempt to procure the quantity of RECs necessary to satisfy the 2017 and 2018
18 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 August 1, 2017, through January 31, 2018, is 8.283¢ per kWh compared to the load-
7 weighted average of 7.420¢ per kWh for the period February 1, 2017, through July 31,
8 2017. The load-weighted average of the power supply costs for the Small Customer
9 Group for August 1, 2017, through January 31, 2018, is 8.644¢ per kWh compared to the
10 load-weighted average of 7.630¢ per kWh for the period February 1, 2017, through July
11 31, 2017. The power supply costs at the retail customer meter (¢ per kWh) were
12 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by
13 the applicable loss factor and then dividing the results by ten. The applicable loss factors
14 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated
15 ratio of wholesale 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. The Large Customer Group rates and the Small Customer Group Rates proposed in this filing will both end on January 31, 2018. Per the terms of the Settlement Agreement, Liberty Utilities will issue a RFP for both groups in November 2017. For purposes of notice to the Commission, the following table illustrates Liberty Utilities' proposed timeline for the next RFP:

RFP Process Steps	November 2017 RFP
RFP Issued	November 1, 2017
Indicative Bids Due	November 28, 2017
Final Bids Due	December 5, 2017
Energy Service Filing to Commission	December 8, 2017
Commission Order Needed	December 15, 2017
Service Begins	February 1, 2018

Q. Does this conclude your testimony?

A. Yes, it does.