

**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. 25,971

December 19, 2016

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; Office of Consumer Advocate by Donald M. Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, 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. Liberty will recover the costs of this supply through an energy service rate of 7.630 cents per kilowatt hour (kWh) for its residential and small commercial customer group. As a result, a typical residential customer using 650 kWh per month will experience an overall monthly bill increase of \$4.95, from \$96.77 to \$101.72, or about 5.12 percent, from the period ending January 31, 2016.

I. PROCEDURAL HISTORY

On December 12, 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 February 1, 2017, through July 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 its request pursuant to a Settlement Agreement approved by the Commission in Order No. 24,577 (January 13, 2006), as modified by order No. 24,922 (December 19, 2008), Order No. 25,601 (November 27, 2013) and Order No. 25,806 (September 2, 2015).

Consistent with Order No. 25,806, Liberty solicits default service in two six-month periods that begin February 1 and August 1 of each year. Both of these six-month periods include one of the two high-priced winter months. For the energy service period beginning February 1, 2017, Liberty contracted for two, consecutive three-month power supply blocks for its Large Customer Group, and one six-month supply block for its Small Customer Group. Liberty's filing also requested an adjustment to the adder that the Company uses to procure compliance with the New Hampshire Renewable Portfolio Standard (RPS).

With its filing, Liberty included the supporting testimony and related exhibits of John D. Warshaw and Heather Tebbetts. Mr. Warshaw is employed as Manager, Electric Supply, by Liberty Utilities Service Corp., the service affiliate of Liberty, and Ms. Tebbetts is employed as a utility analyst by Liberty Utilities Service Corp.

Mr. Warshaw's testimony described the default energy service procurement process. Liberty's filing also contained confidential information, including the Company's master power agreement transaction confirmation with the winning supplier, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty

¹ The Large Customer Group consists 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 tariff.

² The Small Customer Group consists 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-1, or Limited Commercial Space Heating Rate V, under the Company's Retail Delivery Tariff.

requested confidential treatment of the information and the Commission granted Liberty's request at the hearing.

The Office of Consumer Advocate (OCA) previously filed a letter of participation in this docket on March 21, 2016. The Commission issued a secretarial letter on December 6, 2016, scheduling a merits hearing on December 15.

This order and prior docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-249.html> .

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 approved by the Commission. Liberty issued requests for proposals (RFPs) on November 1, 2016, to approximately 25 potential suppliers. In addition, Liberty distributed the RFPs to all members of the New England Power Pool Markets Committee and posted the RFPs on its energy supply website. The RFPs requested fixed pricing for each month of service on an as-delivered energy basis.

Liberty received indicative bids on November 29 and final bids on December 6, 2016. Liberty evaluated the bids received and selected the bidder that (1) provided a bid that was conforming to the RFP, (2) had the lowest price, (3) met the credit requirement described in the RFP, and (4) passed Liberty's qualitative evaluation. Based on its evaluation, Liberty selected Calpine Energy Services, L.P. ("Calpine"), as the supplier for both three-month blocks of energy service to its Large Customer Group, and for 100 percent of the supply for the six-month block

for the Small Customer Group. The default service period for both customer groups begins February 1 and ends on July 31, 2017. Liberty attached a copy of the Calpine Master Power Agreement and the Transaction Confirmation between Liberty and Calpine, with certain confidential sections redacted, to its testimony as JDW-4, along with a copy that showed the differences between Liberty's standard agreement and the Calpine agreement.

Liberty testified that it had the largest number of bidders participating in this RFP since it began issuing solicitations in 2012. In addition, Liberty said that while the current wholesale prices for the six-month period beginning February 1, 2017, are higher when compared to prices for the most recent six-month period, the prices are lower when compared to the previous winter solicitation. According to the Company's analysis, the weighted average commodity cost for the six-month period beginning February 1, 2017, for the Small Customer Group will be 7.630 cents per kilowatt hour (kWh), compared with the load-weighted average price of 6.868 cents per kWh for the period ending January 31, 2017.

2. RPS Adder

Pursuant to the approved settlement agreement, Liberty includes an RPS adder in the calculation of its energy service rate and requests approval of that adder. Under RSA 362-F:3, 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. For 2017, Liberty proposes an RPS adder of 0.445 cents per kWh for both the Large and Small Customer Groups to recover the costs of complying with the 2017 RPS requirement.

Liberty asked, but did not require, bidders responding to the RFP for energy supply to also provide a separate RPS compliance adder with their bids, pursuant to Order No. 24,922

³ Each REC equals one megawatt of renewable energy.

(December 19, 2008). Liberty said that Calpine submitted an RPS compliance adder with its bid, but the Calpine adder was significantly higher than the market price of RECs and thus was not accepted. Liberty said that if it cannot procure an adequate number of RECs through subsequent RFPs, it will make ACPs to comply with its 2017 RPS obligations.

3. Retail Rates

Liberty calculates the base energy service rate for both the Large and Small 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.⁴ With the inclusion of the RPS adder and reconciliation factor, the resulting rate for the Small Customer Group is 7.630 cents per kWh for the six-month period beginning February 1, 2017. For a residential customer not taking service from a competitive supplier and using 650 kWh per month, the result will be an increase in rates of 5.12 percent in monthly bills, from \$96.77 to \$101.72.

For the Large Customer Group, Liberty develops monthly base energy rates that vary from month to month. Liberty then adjusts the base rates by including the reconciliation factors and the RPS adder. The result is a total energy service rate for each month. For the six month period beginning February 1, 2017, the result is the following rates:

February 2017	10.849 cents per kWh
March 2017	7.777 cents per kWh
April 2017	5.923 cents per kWh
May 2017	5.355 cents per kWh
June 2017	7.082 cents per kWh
July 2017	7.678 cents per kWh

⁴ Liberty calculates the reconciliation of RPS and energy service costs and revenues annually in its June default service filing.

B. OCA

The OCA said it had reviewed the filing and determined that Liberty followed the approved process for procuring power. The OCA recommended that the Commission approve the petition.

C. Staff

Staff said it had reviewed the filing and determined that Liberty had conducted the solicitation, bid evaluation, and selection of the winning bidder according to the requirements of the relevant Commission orders. Staff concluded that the bids were competitively procured as required by RSA 374-F, and that the resulting rates are market based. Staff recommended that the Commission approve the filing.

III. COMMISSION ANALYSIS

Based on the filing and information presented at the hearing, we find that Liberty complied with the procedures established by the Settlement Agreement approved in Order No. 24,577, as amended in subsequent dockets, regarding the solicitation and evaluation of the bids, and the selection of the winning bidder. We are also satisfied that Liberty's solicitation received the attention of multiple potential suppliers, that the energy service supply was procured through the competitive market as required by RSA 374-F:3, V(c), and that the resulting rates are just and reasonable as required by RSA 374:2, 378:5 and 378:7. Liberty's testimony and bid evaluation report support our conclusion that the resulting rates reflect market conditions.

We also approve Liberty's proposal to adjust the RPS compliance adder effective with services rendered on and after February 1, 2017, which was calculated by Liberty to produce sufficient revenue for the company to comply with its obligations under RSA 362-F:3 to purchase RECs or make ACPs.

Based upon the foregoing, it is hereby

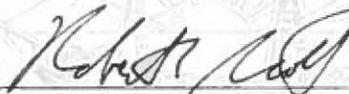
ORDERED, that the Master Power Agreement and Transaction Confirmation entered into between Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities and Calpine Energy Services, L.P., to provide 100 percent of power requirements for Liberty's Large Customer Group and Small Customer Group for the six month period beginning February 1, 2017, and the resulting default energy service rates as set forth above, is 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 nineteenth day of December, 2016.



Martin P. Honigberg
Chairman

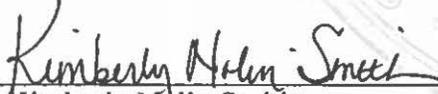


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary

