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Exhibit No.	#8
Witness	John D. Warshaw
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Granite State Electric Company d/b/a Liberty Utilities

Default Service

For the Period Beginning
February 1, 2013

Testimony and Schedules
of
John D. Warshaw

December 14, 2012

Submitted to:
New Hampshire Public Utilities Commission
Docket No. DE 12-023



Liberty UtilitiesSM

Granite State Electric Company d/b/a Liberty Utilities

Docket DE 12-023

Witness: J. D. Warshaw

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DIRECT TESTIMONY

OF

JOHN D. WARSHAW

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1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is John D. Warshaw, and my business address is 11 Northeastern Blvd., Salem,
4 NH 03079.

5
6 Q. Please state your position.

7 A. I am the Manager, Electric Supply for Liberty Energy Utilities (New Hampshire) Corp.
8 ("Liberty Energy NH") which is the sole shareholder of Granite State Electric Company
9 ("Granite State" or the "Company") and provides services to Granite State. I oversee the
10 procurement of power for Default Service for Granite State as well as the procurement of
11 renewable energy certificates ("RECs").

12
13 Q. Please describe your educational background and training.

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

18
19 Q. What is your professional background?

20 A. In November of 2011, I joined Liberty Energy NH as Manager, Electric Supply for
21 Granite State. Prior to my employment at Liberty Energy NH, I was employed by
22 National Grid USA Service Company ("National Grid") as a Principal Analyst in Energy
23 Supply – New England from 2000 to 2010. In that position I conducted a number of

1 solicitations for wholesale power to meet the needs of National Grid's New England
2 distribution companies. I also administered both short-term and long-term power
3 purchase agreements for National Grid's New England distribution companies. Prior to
4 my employment at National Grid, I was employed at COM/Energy (now NSTAR) from
5 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at
6 COM/Energy responsible for supporting state and federal rate filings. In 1997, I
7 transferred to COM/Electric to work in Power Supply Administration.
8

9 Q. Have you previously testified before the New Hampshire Public Utilities Commission
10 ("Commission")?

11 A. Yes. I most recently testified before the Commission in Docket DE12-023 on September
12 19, 2012.
13

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

15 A. Yes. I have testified before both the Massachusetts Department of Public Utilities and
16 the Rhode Island Public Utilities Commission regarding electric supply and renewable
17 portfolio procurement activities.
18

19 **II. Purpose of Testimony**

20 Q. What is the purpose of your testimony?

21 A. The purpose of my testimony is to request Commission approval of Granite State's
22 proposed Default Service rates for the Large and Medium Commercial and Industrial

1 Customer Group (“Large Customer Group”¹) for the three-month period February 1,
2 2013 through April 30, 2013. My testimony will describe the process used by Granite
3 State to procure Default Service for the Large Customer Group, the proposed Default
4 Service rates, how the Company proposes to meet its 2013 Renewable Portfolio Standard
5 (“RPS”) obligation and the resulting Renewable Portfolio Standard Adder for service
6 rendered on and after February 1, 2013.

7
8 **III. Default Service Bidding Process**

9 Q. Mr. Warshaw, why does Granite State need to procure Default Service for the Large
10 Customer Group for the period beginning February 1, 2013?

11 A. Pursuant to the procurement process approved by the Commission, which I describe later
12 in my testimony, Granite State procures power supply through contracts having a three-
13 month term for the Large Customer Group. Granite State’s currently effective Default
14 Service supply contract for the Large Customer Group expires on January 31, 2013.
15 Therefore, to assure that Default Service will continue to be available, Granite State
16 requires a new Default Service supply arrangement beginning February 1, 2013.

17
18 Q. Please describe the process Granite State used to procure its Default Service supply for
19 the period beginning February 1, 2013.

20 A. Granite State conducted its procurement of Default Service supply in accordance with
21 applicable law and Commission directives. The Company complied with the solicitation,
22 bid evaluation and procurement process set forth in the Settlement Agreement dated

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

1 November 18, 2005, which was approved by the Commission in Order No. 24,577
2 (“Order”) on January 13, 2006 in Docket DE 05-126 and amended by Order No. 24,922
3 in Docket DE 08-011 (as amended, the “Settlement Agreement”). Granite State issued a
4 request for proposals (“RFP”) for certain power supply services and sought a supplier for
5 Granite State’s Default Service covering the Large Customer Group.
6

7 Q: Was the Company’s solicitation for the period beginning February 1, 2013 consistent
8 with the Company’s prior solicitations for Default Service?

9 A. Yes, Granite State’s Default Service RFP was conducted in a manner similar to previous
10 solicitations. This process is consistent with the process approved by the Commission in
11 the Order as well as with Granite State’s past procurements.
12

13 Q. Could you describe the nature of the RFP that Granite State issued?

14 A. On November 7, 2012, Granite State issued a RFP to approximately twenty-five potential
15 suppliers soliciting power supplies for the period February 1, 2013 through April 30,
16 2013. Granite State also distributed the RFP to all members of the New England Power
17 Pool (“NEPOOL”) Markets Committee and posted the RFP on National Grid’s energy
18 supply website.² As a result, the RFP had wide distribution throughout the New England
19 energy supply marketplace. The RFP requested fixed pricing for each month of service
20 on an as-delivered energy basis. Prices could vary by month and by service – that is, the
21 prices did not have to be uniform across the entire service period or between the two
22 customer groups. A copy of the RFP is provided as Schedule JDW-1.

² The RFP was posted on National Grid’s website pursuant to the Amended and Restated Transition Services Agreement between Granite State and National Grid whereby National Grid is providing certain energy procurement services to Granite State post-closing.

1

2 Q. Are the Company's Default Service rates consistent with least cost resource
3 planning?

4 A. Yes. As indicated during the hearing held before the Commission on December 17, 2009
5 in Docket DE 09-010 (Default Service proceeding) and in the Company's previous
6 Default Service filings, the Company received a waiver from the Commission regarding
7 its compliance with the Least Cost Integrated Resource Plan for generation issues.
8 Nevertheless, the Company has conducted its Default Service RFP process in a manner
9 that is consistent with least cost planning principles by proposing Default Service rates
10 resulting from a competitive bidding process. This is consistent with least cost planning
11 goals, which are to minimize costs in the procurement of energy.

12

13 **IV. Results of Default Service Bidding**

14 Q. Did Granite State receive responses to the RFP?

15 A. Yes. Indicative proposals were received on December 4, 2012. Final proposals were
16 received on December 11, 2012. None of the bidders made their provision of Granite
17 State's Default Service contingent upon the provision of any other service. A summary
18 of the RFP process and bid evaluation is included in Schedule JDW-2.

19

20 Q. How do the current futures prices for electricity and natural gas compare to the futures
21 prices at the time of the Company's June 13, 2012 and September 9, 2012 solicitations?

22 A. The futures market prices for electricity and natural gas at the time of the June 13, 2012
23 and September 9, 2012 solicitations as well as current futures market prices are shown in

1 Schedule JDW-3. These are the two most recent solicitations for the Large Customer
2 Group.
3

4 Q. Did Granite State select any of the proposals received in response to the RFP?

5 A. Yes. Granite State evaluated the bids received and selected the supplier that: (i) provided
6 a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the credit
7 requirements described in the RFP, and (iv) passed our qualitative evaluation. On
8 December 12, 2012, Granite State entered into a wholesale Transaction Confirmation
9 with H.Q. Energy Services (U.S.) Inc. ("HQ-US"), the winning bidder for the Large
10 Customer Group block, to provide Default Service to the Large Customer Group for the
11 three-month period February 1, 2013 through April 30, 2013. Together, a Transaction
12 Confirmation and a Master Power Agreement provide the terms for the purchase of
13 Default Service from a supplier. A copy of the Transaction Confirmation and Master
14 Power Agreement between Granite State and HQ-US, with certain confidential sections
15 redacted, is attached hereto as Schedule JDW-4. Although the Transaction Confirmation
16 and Master Power Agreement have differences from the sample power supply agreement
17 in the Settlement Agreement approved by the Commission, the executed documents do
18 not shift any of the risks or obligations described in the sample power supply agreement
19 provided in the Settlement Agreement.
20

21 V. **Renewable Portfolio Standard**

22 Q. What is the RPS obligation for 2013?

1 A. As specified in the RPS law, RSA 362-F, the RPS obligation for calendar year 2013
2 requires that a minimum of twelve percent (12.00%) of Granite State's Default Service
3 load come from renewable resources, of which at least three and eight tenths percent
4 (3.8%) can come from Class I New Renewable Energy Resources, at least two tenths
5 (0.2%) can come from Class I New Renewable Useful Thermal Energy, at least two
6 tenths (0.2%) can come from Class II Solar Energy Resources, at least six and one-half
7 percent (6.5%) can come from Class III Existing Renewable Energy Resources and at
8 least one and three tenths percent (1.3%) can come from Class IV Existing Renewable
9 Energy Resources.

10
11 Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS
12 rules as promulgated by the Commission?

13 A. On February 18, 2009, Granite State entered into an amended settlement agreement with
14 Commission Staff and the Office of Consumer Advocate intended to resolve all issues
15 associated with the process by which Granite State would comply with the requirements
16 of the RPS law and the Puc 2500 rules ("Amended RPS Settlement"). The Amended
17 RPS Settlement was approved by the Commission on March 23, 2009 in Order No.
18 24,953 in Docket DE 09-010. The Company may satisfy RPS obligations by providing
19 either RECs for each RPS class from the New England Power Pool Generation
20 Information System ("NEPOOL-GIS") or by making an Alternative Compliance
21 Payment ("ACP") to the state of New Hampshire's Renewable Energy Fund. As
22 specified in the Amended RPS Settlement, Granite State requested bidders to provide a
23 separate RPS compliance adder with their bids. This RPS compliance adder is the

1 incremental charge by a bidder for agreeing to take on the RPS obligation with the
2 Default Service obligation.
3

4 Q. If a winning bidder's RPS compliance adder is accepted, how would the bidder satisfy
5 the RPS obligation?

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

13 Q. What were the criteria Granite State used to evaluate the RPS compliance adders
14 provided by the bidders?

15 A. Granite State would have evaluated the winning bidder's RPS compliance adder by
16 comparing it to Granite State's estimated market prices for New Hampshire RECs.
17 However, HQ-US elected not to supply a RPS compliance adder with its bid. Granite
18 State plans to issue a request for proposal in the future for the acquisition of RECs. If
19 Granite State is unable to purchase sufficient RECs to meet its New Hampshire RPS
20 obligations, it will then, consistent with the RPS rules, make an ACP to the state of New
21 Hampshire's Renewable Energy Fund. The other bidders' RPS compliance adders can be
22 found in Exhibit 10 of Schedule JDW-2.
23

1 Q. Is Granite State proposing any changes to the RPS compliance adders at this time?

2 A. No. Granite State is not proposing to change the Commission-approved RPS compliance
3 adders at this time. The current market prices for RPS compliant RECs are similar to that
4 used by Granite State in its last Default Service filing.
5

6 Q. How did Granite State calculate the Renewable Portfolio Standard Adder for 2013?

7 A. As shown in Schedule JDW-6, Granite State used the 2013 market prices for all REC
8 Classes as provided in the last Default Service filing. Market prices were provided by
9 REC price summaries distributed by brokers. The retail RPS costs were calculated on a
10 per MWh basis. The Company divided the calculated costs by ten in order to convert
11 from a \$ per MWh retail cost to a ¢ per kWh rate for retail use.
12

13 Q. What happens if Granite State's actual RPS compliance costs are different from that used
14 in calculating the RPS compliance adder?

15 A. Granite State reconciles its costs of RPS compliance with the revenue billed to customers
16 from the RPS compliance adder. This reconciliation occurs as part of the Company's
17 annual default service reconciliation filing in March of each year.
18

19 Q. Has Granite State been able to contract for RECs?

20 A. Yes. On October 15, 2012, Granite State issued a request for proposal to procure RECs
21 to approved New Hampshire renewable generators, generators in the process of applying
22 for approval to generate New Hampshire RECs, as well as other REC suppliers, for its
23 2012 and 2013 RPS obligations. The Company received bids for RECs and contracted

1 for Class I and Class IV obligations for 2012 and Class I obligations for 2013. Granite

2 State shared the results of this solicitation with Staff.

3
4 Q. When will Granite State issue the next REC request for proposal?

5 A. Granite State plans to issue a REC request for proposal in the Spring of 2013 to procure
6 RECs to satisfy the 2012 and 2013 RPS obligations. Granite State will attempt to procure
7 the quantity of RECs necessary to satisfy the 2012 and 2013 obligations for load that will
8 be serviced under Default Service supply contracts.

9
10 **VI. Default Service Commodity Costs and Retail Rates**

11 Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on
12 Granite State's expected procurement cost used to develop the proposed retail rates.

13 A. The load-weighted average of the power supply costs for the Large Customer Group is
14 6.886¢ per kWh compared to the load-weighted average of 6.791¢ per kWh for the period
15 November 1, 2012 through January 31, 2013. The power supply costs at the retail
16 customer meter (¢ per kWh) were calculated by multiplying the commodity prices at the
17 wholesale level (\$ per MWh) by the applicable loss factor and then dividing the results
18 by ten. The applicable loss factors can be found in the RFP summary in Schedule JDW-
19 2. The loss factor is a calculated ratio of wholesale purchases to retail deliveries.

20
21 Q. What are the Default Service rates that the Company is proposing for the Large Customer
22 Group?

1 A. As presented in Schedule JDW-6, the Company is proposing monthly Default Service
2 rates for the Large Customer Group based on the three monthly contract prices contained
3 in the supply agreement with the winning Default Service supplier for the Large
4 Customer Group. On page 1 at line (6) these rates are adjusted by the currently effective
5 Default Service Adjustment Factor in accordance with Page 87 of Granite State's tariff.
6 On line (7) these base rates are further adjusted by the currently effective Default Service
7 Cost Reclassification Adjustment Factor to recover administrative costs associated with
8 Default Service in accordance with Page 93 of Granite State's tariff. Finally, on line (8)
9 these rates are adjusted by the proposed RPS adders discussed above. As displayed on
10 line (9), the proposed base Default Service rates for the Large Customer Group are
11 9.414¢ per kWh, 7.583 ¢ per kWh, and 6.643 ¢ per kWh for the months of February
12 through April 2013.

13
14 Q. How will Granite State reconcile any difference in costs associated with Default Service?

15 A. To the extent that the actual cost of procuring Default Service vary from the amounts
16 billed to customers for the service, Granite State will continue to reconcile the difference
17 through a reconciliation mechanism pursuant to Granite State's Default Service
18 Adjustment Provision contained in its currently effective Retail Delivery Tariff.

19
20 Q. Has the Company determined the impact of these proposed rate changes on customer
21 bills?

22 A. Yes. The Company has provided typical bill impacts in Schedule JDW-7. For customers
23 in the Large Customer Group illustrative bill impacts for the three-month period ending

1 April 2013 have a range of 0.9% to 1.1% increase as compared to the three-month period
2 ending February 2013.
3

4 Q. What is the basis for the increase in Default Service rates?

5 A. As shown in Schedule JDW-3, the futures market prices for both electricity and natural
6 gas are higher in the winter period than in the summer period, thus resulting in higher
7 prices for this solicitation. This is because of New England's current reliance on natural
8 gas for electric generation. Natural gas prices normally peak during the winter months
9 due to heating load.
10

11 Q. Has Granite State included the most recent quarterly report of migration information
12 based on monthly migration by customer class and load, as required by the Commission's
13 Order No. 24,715 in Docket DE 06-115?

14 A. Yes. The quarterly report of customer migration information for the 3rd quarter of
15 calendar year 2012 is included as Schedule JDW-8.
16

17 **VIII. Conclusion**

18 Q. When will Granite State issue the next RFP for Default Service?

19 A. The Large Customer Group rates proposed in this filing end on April 30, 2013. Per the
20 terms of the Settlement Agreement, Granite State will issue a RFP for the Large
21 Customer Group and the Small Customer Group in February 2013. For purposes of
22 notice to the Commission, the following table illustrates Granite State's proposed
23 timeline for the next RFP:

1

RFP	February 2013 RFP
RFP Issued	February 8, 2013
Indicative Bids Due	March 5, 2013
Final Bids Due	March 12, 2013
Contract Execution	March 13, 2013
Default Service Filing to Commission	March 15, 2013
Commission Order Needed	March 22, 2013
Service Begins	May 1, 2013

2

3 Q. Does this conclude your testimony?

4 A. Yes. It does.