

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-130

**Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Solicitation for Default Service for Period Beginning November 1, 2014**

Staff Comments on Exhibit 18—Decisions of Maine Public Utilities Commission in Maine
Docket No. 2006-513

The instant docket is Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty) solicitation for default service power for its Large Customer Group and Small Customer Group for the six-month period beginning November 1, 2014. Liberty makes this filing pursuant to a settlement agreement approved by the Commission in *Granite State Electric Company Petition for Approval of Post-Transition Default Service Proposal*, Order No. 24,577 (January 13, 2006), as modified by Order No. 24,922 (December 19, 2008) and Order No. 25,601 (November 27, 2013) (Settlement Agreement). The Settlement Agreement was supported by Granite State Electric's prior owner, National Grid, Commission Staff and the Office of Consumer Advocate (OCA).

Following the solicitation process in the Settlement Agreement, Liberty solicited power for two three-month blocks of power for its Large Customer Group and one 6-month block of power for its Small Customer Group. The resulting rates, if approved, would represent monthly bill increases ranging from roughly 38% to 59% for the various classes of customers in both Groups.

The hearing was held September 24, 2014. At hearing, the OCA argued that the Commission should reject the filing and require Liberty to either renegotiate its power supply contracts for lower prices, issue new requests for proposals (RFPs) for power, or allow a longer period of time for the Company to recover costs from customers to avoid rate shock. In response to this argument, Liberty testified that the results of a new RFP for power would likely result in even higher prices for customers.

In support of its argument, the OCA requested that the Commission take administrative notice of Docket No. 2006-513 of the Maine Public Utilities Commission (Maine PUC), specifically one decision issued November 16, 2006 and one decision issued December 18, 2006 (Maine Decisions). The Commission granted the request. OCA claimed that decisions stood for the following proposition: If the Commission ordered Liberty to renegotiate the power supply contracts or issue a new RFP for power supply, the result would not necessarily be higher prices but could, in fact, result in lower prices. The Commission allowed Staff and Liberty to provide comments on the Maine Decisions.

Staff has reviewed the Maine Decisions in Docket No. 2006-513 and finds that the decisions do not stand for the proposition claimed by the OCA that a re-bid for power supply could result in lower-priced bids. In fact, if one reads the decisions, it is apparent that the fact situation facing the Maine PUC is in no way comparable to the facts in Liberty's petition. First, the RFP rejected by the Maine PUC in the November 16, 2006 decision was based on the fact that only one bidder responded to the solicitation. The Maine PUC deemed that when a solicitation resulted in one bid, the winning bid was not competitive and was a result of "market failure" and ordered Maine Public Service Company (MPSC), the affected utility, to buy power for its customers directly from the wholesale market.

In the instant docket, Liberty received bids from multiple bidders. *See* Exhibit 5 at 50-51 (CONFIDENTIAL INFORMATION). Liberty selected the lowest price bids for both the Large and Small Customer Groups.

Second, the Maine PUC understood that when they rejected the bids, the prices from a subsequent solicitation could be higher. When MPSC filed for reconsideration, it had renegotiated the price of power with the prior winning bidder, and the prices were somewhat lower than the original bid prices. The bid, however, did include a condition that would allow for a rate increase to reflect cost increases resulting from the imposition of a capacity requirement in northern Maine.

In the instant docket, the prices bid by Liberty's winning suppliers are the all-in price for power. Under the Liberty paradigm, the supplier bares the whole risk of cost or load volatility.

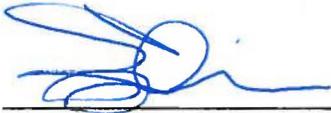
Finally, where the Maine Decisions occurred in an entirely different wholesale market—8 years ago—and in a market context that did not include the recent volatility in power prices for winter months, nothing can be applied from those decisions to the current Liberty petition. The Commission heard testimony from Liberty that any rebid will likely result in higher prices, and the current price of power as projected for the winter months (See Exhibit 7) would support that conclusion.

In approving the process whereby Liberty would procure power for its default service customers, the Commission stated as follows:

The statutory transition service period expires April 30, 2006 for all customers in the state. Granite State has proposed to transfer all customers taking TS at that time to DS, which will be available to new customers and customers that desire to return to utility service. The restructuring statute, in particular RSA 374-F:3, V(c), sets forth the elements we should consider to determine whether a DS proposal is in the public interest. According to the statute, DS must be designed to assure universal access and system integrity; it should be procured through the competitive market; and the administrative costs should be borne by the customers in a manner approved by the Commission. The statute further permits us to approve "alternative means of providing transition or default service which are designed to

minimize customer risk; not unduly harm the development of competitive markets; and mitigate against price volatility without creating new deferred costs” as the competitive market develops. RSA 374-F:3(e). We find that Granite State’s petition, as modified by the Settlement Agreement, meets the requirements of the law and is in the public interest. Order No. 24,577 at 11-12.

As pointed out at hearing, customers have competitive power supply options available to them consistent with the restructuring principles of RSA 374-F:3, II. While the prices for power over the winter period are higher, the results of Liberty’s solicitation are market-based prices. Liberty observed the requirements of the Settlement Agreement in selecting the winning bidders and the Commission should approve Liberty’s petition.



Suzanne Amidon, Esq. on Behalf of Commission Staff

September 25, 2014