



IR 14-338

Sarah B. Knowlton
Assistant General Counsel
Phone: 603-216-3631
Email: sarah.knowlton@libertyutilities.com

April 16, 2015

NHPUC 20APR'15PM1:24

Via US Mail and Electronic Mail

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

**Re: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Comments**

Dear Ms. Howland:

On behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities, I enclose for filing in the above-captioned docket an original and six copies of the Company's comments on the Staff's Guiding Principles discussed at the Technical Session held on March 18, 2015 in the above-captioned docket.

Thank you for your assistance with this matter. Please do not hesitate to contact me should you have any questions.

Very truly yours,

A handwritten signature in black ink that reads "Sarah B. Knowlton".

Sarah B. Knowlton

Enclosures
cc: Service List

I. Introduction

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities is pleased to provide comments to the Commission on Commission Staff's Guiding Principles discussed at the Technical Session held on March 18, 2015.

II. Guiding Principles Comments

Who are we protecting?

At this time, the Company does not believe a clear problem has been identified. The discussion has centered on high energy prices during the 2014-2015 winter period. There needs to be more clarification of what the problem is that needs to be fixed in order to identify parties that need protecting.

What are the effects on market solicitations and competitive suppliers?

If the market shifts significantly after procurement has occurred, default service prices will not align with the market and will result in migration either to or from the market. Such a market shift could discourage suppliers from participating in future RFPs.

Should retail supply be cost based?

Yes. The market price drives the cost of supply, and default service should be priced accordingly. Arbitrarily determining price could have a chilling effect on market participation.

Resolution of tension between objectives of stability and market pricing

While a noble objective, this tension may be impossible to resolve. Price stability in times of rapidly changing market prices will result in significant migration to or from the market. Prices that change as quickly as the market changes will result in dramatic bill swings for customers. Implementation of restructuring has created a tension between price stability and market pricing that cannot be resolved by placing additional regulatory requirements on utilities.

III. Comments on Staff's Thoughts

Staff believes that there is merit in a uniform methodology for all

The Company believes this may be appropriate for the residential class of customers, since all utilities define residential class similarly. This method may not work well for larger customer classes, since there is no consistency between large class definitions between utilities. Consolidated billing for competitive suppliers has caused customer confusion as many

customers still call their utility asking questions about their supplier's pricing and contract. Utilities are not privy to the contractual arrangements between suppliers and customers. We believe consolidated billing sends the wrong message to customers who don't understand why their electric bill has changed dramatically.

Believes that there should be differential treatment between large C&I and Residential and Small C&I (still considering benefits of differentiating between res and small C&I)

We agree. Smaller customers, especially residential, may not have the sophistication or knowledge to understand the intricacies of choice.

Believes that frequency of auctions should be confined to 6 month periods and that they should be staggered between LDC's

The Company agrees with this idea. Extending the period to 12 months, or longer, would require suppliers to pass through increased migration and market risks in bids, possibly resulting in higher prices. Longer periods would reduce retail price volatility, but the tension between the objectives of stability and market pricing increases as the term of the default service rate increases.

For large C&I we believe that spot pricing pass through approach may be desirable, though would like more clarification of that approach

The Company believes that while sound from a price signal perspective, frequent (monthly) price updates could have a detrimental impact on a customer's ability to plan for energy costs. Customers won't know what prices are in advance, which could result in significant bill adjustments for which customers are not prepared. The majority of customers (both small and large) want predictable pricing. For the small minority of customers who are more tolerant of market price risk, spot pricing can be obtained from competitive suppliers. If spot pricing by utilities was mandatory, it would encourage customers to choose a supplier to gain price stability.

For res/small C& I we consider the Unutil model a useful paradigm for going forward

The Company needs clarification of this statement.

We are assuming for the present that 100% block will be bid.

The Company agrees. Bidding the entire load will likely result in lower pricing, especially for smaller utilities like Granite State, as compared to bidding in tranches.

We do not find consideration of QF usage as appropriate, nor do we wish to constrain freedom of choice in the selection of bidders

The Company agrees.

We agree with the approach whereby bids are solicited until objective achieved

If this approach were implemented, utilities would need to increase the time frame for the solicitation process to accommodate re-bidding, or reduce the amount of time for regulatory approval. Increasing time for solicitation would result in higher risk premium due to large time frame between bid receipt and bid award. The preferred approach would be to reduce the regulatory approval period.

Agree about the need to shorten the time between success bids and contract awards but believe it will require change in statutory language so see that as a medium term goal

The Company does not believe there needs to be a statutory language change if the Commission will continue to issue an order approving rates. If the Commission implements a different method of approving rates to shorten the period, then the Company believes that there may need to be statutory language changes.

To help in shortening the time between success bids and contract awards, Granite State could propose to separate the reconciliation process which includes a reconciliation of previous period costs, and include it in the annual retail rate reconciliation process. By making this change, the energy service hearing would focus solely on solicitation process and base rate level.

We are not as yet compelled by the notion of a state initiated centralized procurement process

If Staff desires a uniform approach for all utilities, a centralized process could accomplish that objective.

We are not as yet compelled by the notion of establishing fixed price contracts for conventional and renewable energy for a specific portion of the energy service requirement

The Company agrees with Staff that utilities should not enter into long-term fixed price contracts. Due to market swings, fixed price contracts can result in stranded costs.

We agree about the desirability of a web page to provide up to date pricing for end users. We understand that is a matter being pursued by Amanda Noonan's division

The Company agrees. The Commission should be the primary source of information for consumers on market pricing and options, as they are an unbiased source.

We are in favor of budget billing for all LDC customers

The Company agrees that budget billing should be available for customers who remain on default service. However, a standard methodology for budget billing should not be implemented due to differences between utilities' billing systems.

At this time we see little benefit for laddering the bid process

The Company agrees. Laddering currently does not provide the expected reduction in retail price volatility.

We are in favor of removing unnecessary risk premiums associated with regulatory uncertainty, but understand that because this probably requires legislation, it may be a medium term goal.

The Company believes that by making many of the changes aforementioned, risk premiums associated with regulatory uncertainty should be minimized.