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Via Hand-Delivery 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: IR 14-338: Review of Default Service Procurement Processes for Electric Distribution Utilities

Dear Ms. Howland:

I am writing in follow up to the Staff's May 6, 2015 memorandum filed in this docket in which the Staff summarized the results of the discussions in the docket to date, identifying areas of agreement among the parties, and providing Staff's position regarding areas in which no agreement was reached. The purpose of this letter is to provide Liberty Utilities (Granite State Electric) Corp.'s comments on the Staff's memorandum.

The Company agrees with many of Staff's positions including: (1) a uniform default service procurement methodology should be used for all residential and small commercial customers; (2) large default service procurement for commercial and industrial customers should be treated differently, and; (3) the frequency of default service procurements should be confined to six-month periods and should be staggered between the electric distribution utilities. The Company does not believe that changing the six-month procurement period will achieve the desired effect of reducing price volatility. As shown in the attached graph, when comparing the default service rates for a November to May six-month period (utilized by Liberty, National Grid and Unitil) to a January to July period (utilized by WMECo), there is no reduction in price volatility.

The Company is concerned about adopting an approach whereby default service bids are solicited until the desired price objective is achieved. Implementation of this approach would require the utilities to increase the timeframe for the solicitation process to accommodate re-bidding, or reduce the amount of time for regulatory approval, which may present certain practical difficulties.

In its memorandum, Staff does not address alternative procurement methods in the case of a failed auction. During the technical sessions, the issue of failed auctions was briefly

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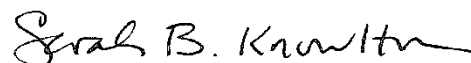
discussed, but never fully vetted as the sessions primarily focused on normal course of business procurements. Due to this, the issue of failed auctions has not been addressed in this proceeding and the Company remains concerned that there is no protocol for such a circumstance.

The Company agrees with Staff's suggestion to separate the reconciliation portion of the energy service proceeding to allow more time for the parties to evaluate the filing, although the reconciliation portion of the rate will go into effect at the same time as the default energy service rates pursuant to the awarding of the winning bid. In order to provide more time to review its annual reconciliation, the Company proposes to provide its annual reconciliation filing to the Commission by February 15 each year, which is well in advance of the default service filing.

The Company is also proposing that the period between receiving the final bids and receiving the order be shortened. For the May 1, 2015 rates, the time between receiving the final bids (March 17) to receiving an order (March 30) was thirteen days. Using this as an example, the Company would file its final rates with the bids March 18 with a hearing scheduled for March 19. Liberty would propose to have an order by March 23. This reduces the period of uncertainty for the winning supplier by eight days.

The Company appreciates the opportunity to file comments in this proceeding and looks forward to working with Staff and the other parties to find solutions to the issues concerning default service solicitations.

Very truly yours,



Sarah B. Knowlton

Enclosure
cc: Service List

