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July 14, 2015

Via Electronic Mail and US Mail

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

**Re: IR 14-338; Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Review of Energy Service Procurement Processes for Electric Distribution Utilities**

Dear Ms. Howland:

On November 24, 2014, the Commission issued an Order of Notice opening the above-captioned docket for the purpose of reviewing various approaches to energy service solicitations. In the Order of Notice, the Commission directed Staff to conduct stakeholder discussions with electric distribution utilities, competitive suppliers, market participants and customer representatives on different approaches to energy service solicitations. Eversource (Eversource), Liberty Utilities (Granite State Electric) Corp. (Liberty), and Unitil Energy Systems, Inc. (Unitil) were made mandatory parties in the discussions.

The Commission Staff held several technical sessions to discuss with parties various options for pricing and the procurement of energy service by distribution utilities. As a result, on May 27, 2015, the Commission held a hearing to discuss the parties' positions on changes to the procurement process before the next winter's procurements take place.

The Commission in its final comments at the hearing expressed their desire for the parties to work together on three topics:

1. Shortening the time from bid to approval
2. Separating the reconciliation process from the rate-setting process
3. Moving the six-month period during which rates are in effect

The Commission directed Liberty to meet with the Commission Staff, the Office of Consumer Advocate (OCA), and the Office of Energy and Planning (OEP) to discuss these issues to try to agree on an approach that addresses these issues. These parties met on July 1, 2015, to discuss how to implement the Commission's suggestions.

During that meeting, Liberty provided the following proposal:

1. Shortening the time frame between bidding and approval would require either a change to RSA 378:3, or an adjudicative proceeding by the Commission to determine what the appropriate process should be with regard to proper notice to the Commission and to the public of any rate change by the utilities. This change would not be implemented before the next procurement period, and thus, Liberty is not proposing the change at this time. We will continue to work with on this issue with Staff and parties.
2. Liberty is proposing to move the two 6-month Energy Service periods currently commencing in May/November to commence in February/August. Moving to 6-month periods commencing in February and August will place the most expensive winter months (January & February) into two separate 6-month periods instead of only in the current November through April 6-month period. As shown in Attachment 1 hereto, the proposed periods would significantly reduce the price volatility that occurs between the current service periods, based on recent price estimates. As shown below, changing the 6-month periods to commence on February 1 and August 1 should significantly decrease the price volatility between the periods, at least in the near term.

Service Period	Energy Service Rate (¢/kWh)	Service Period	Energy Service Rate (¢/kWh)
Feb-July	0.1053	Nov - April	0.15487
Aug - January	0.1133	May - October	0.07063
Absolute Difference	0.0079		0.08424

The current Energy Service supply contracts end on October 31, 2015. In order to move to the proposed periods, Liberty would need to either secure a 9-month supply in the next solicitation covering the period from November 2015 through July 2016 or have two solicitations covering November 2015 through January 2016 and then February 2016 through July 2016. Liberty proposes procuring a 9-month supply in the next solicitation. Using June 23, 2015, NYMEX Electric Futures, the estimated retail prices comparing a single solicitation to two solicitations are as follows:

Period	Expected Retail Price (¢/kWh)	# of Months
May 1 '15 - Oct 31 '15 (ACTUAL)	7.063	6
Nov 1 '15- Jan 31 '16	12.2	3
Feb 1 '16 - July 31 '16	9.0	6
Nov 1 '15 - July 31 '16	10.0	9
Nov 1 '15 - Apr 30 '16	11.6	6

To accomplish this change, the Settlement Agreement regarding the solicitation of a default service supply for Liberty's customers approved in Docket No. DE 05-126 will need to be modified, since that agreement specifies the solicitation timing and process. Liberty will be filing a technical statement proposing such changes in Docket No. DE 15-010 in the near future.

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3. Liberty proposes to file its annual Energy Service reconciliation at least 30 days in advance of the Energy Service rate filing to allow time for parties to review the filing and request additional information during the discovery process. Under the current process, the reconciliation of costs for the 12-month period ending in January of the current year is filed concurrently with the March Energy Service rate filing. Under Liberty's proposal, the reconciliation process will commence annually in August, with a filing 30 days prior to an Energy Service rate filing. In addition, this timing change will have the benefit of eliminating the mismatch that currently exists between the reconciliation period and the period during which rates are in effect. The proposed change addresses this with changes to the schedule as shown in Attachment 2 hereto. To implement this change, the first nine months of the reconciliation will include actual revenues and expenses, while the last three months will be based on projected revenues and expenses.

Liberty is proposing to implement these changes in the next Energy Service solicitation, for which a proposed schedule was provided to the Commission on July 14, 2015, in Docket No. DE 15-010.

The Commission Staff, OCA and OEP concur with the proposed changes described above.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Stephen R. Hall

cc: Service List