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N.H.P.U.C. Case No.	DE 15-010
Exhibit No.	# 2
Witness	John D. warshaw Leather Mc. Tebbitts
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**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

Docket No. DE 15-010

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Energy Service for the Period May 1, 2015 to October 31, 2015

**DIRECT TESTIMONY**

**OF**

**JOHN D. WARSHAW**

March 23, 2015

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 15 Buttrick Road,  
4 Londonderry, NH 03053.

5 **Q. Please state your position.**

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

11 **Q. Please describe your educational background and training.**

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

16 **Q. What is your professional background?**

17 A. In November of 2011, I joined Liberty Energy NH as Manager, Electric Supply for  
18 Liberty Utilities. Prior to my employment at Liberty Energy NH, I was employed by  
19 National Grid USA Service Company (“National Grid”) as a Principal Analyst in Energy

1 Supply – New England from 2000 to 2010. In that position I conducted a number of  
2 solicitations for wholesale power to meet the needs of National Grid’s New England  
3 distribution companies. I also administered both short-term and long-term power  
4 purchase agreements for National Grid’s New England distribution companies. Prior to  
5 my employment at National Grid, I was employed at COM/Energy (now NSTAR) from  
6 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at  
7 COM/Energy responsible for supporting state and federal rate filings. In 1997, I  
8 transferred to COM/Electric to work in Power Supply Administration.

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

11 A. Yes. I most recently testified before the Commission in Docket No. DE 15-010 on  
12 March 25, 2014.

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

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

17 **II. PURPOSE OF TESTIMONY**

18 **Q. Mr. Warshaw, what is the purpose of your testimony?**

19 A. The purpose of my testimony is to request Commission approval of Liberty Utilities’  
20 proposed Energy Service rates for both (i) the Large and Medium Commercial and

1 Industrial Customer Group (“Large Customer Group”<sup>1</sup>) and the (ii) the Residential and  
2 Small Commercial Customer Group (“Small Customer Group”<sup>2</sup>) for the six-month period  
3 May 1, 2015 through October 31, 2015. My testimony will describe the process used by  
4 Liberty Utilities to procure Energy Service for both the Large and Small Customer  
5 Groups, the proposed Energy Service rates, how the Company proposes to meet its 2014  
6 and 2015 Renewable Portfolio Standard (“RPS”) obligation and the resulting Renewable  
7 Portfolio Standard Adder for service rendered on and after May 1, 2015.

8 **Q. Please provide the list of schedules attached to your testimony.**

9	A.	Schedule JDW-1	Energy Service RFP May 1, 2015 through October 31, 2015
10		Schedule JDW-2	Energy Service Procurement Summary
11		Schedule JDW-3	Comparison of Change in Futures Prices to Change in Procurement
12			Costs
13		Schedule JDW-4	Energy Service Contract for the Large Customer Group May 1,
14			2015 through October 31, 2015
15		Schedule JDW-5	Energy Service Contract for the Small Customer Group May 1,
16			2015 through October 31, 2015
17		Schedule JDW-6	Summary of September 2014 RPS Solicitation
18		Schedule JDW-7	Letter to New Hampshire Border Customer

19 **III. ENERGY SERVICE BIDDING PROCESS**

20 **Q. Mr. Warshaw, why does Liberty Utilities need to procure Energy Service for the**  
21 **both the Large and Small Customer Groups for the period beginning May 1, 2015?**

22 A. Pursuant to the procurement process approved by the Commission, which I describe later

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

<sup>2</sup> The Small Customer Group is comprised of customers taking service under Domestic Service Rate D; Domestic Service - Optional Peak Load Pricing Rate D-10; Outdoor Lighting Service Rate M; Limited Total Electrical Living Rate T; General Service Rate G-3; or Limited Commercial Space Heating Rate V of the Company’s Retail Delivery Tariff.

1 in my testimony, Liberty Utilities procures power supply through contracts having a  
2 three-month term for the Large Customer Group and a six-month term for the Small  
3 Customer Group. Liberty Utilities' currently effective Energy Service supply contracts  
4 for both the Large and Small Customer Groups expire on April 30, 2015. Therefore, to  
5 assure that Energy Service will continue to be available, Liberty Utilities requires new  
6 Energy Service supply arrangements beginning May 1, 2015.

7 **Q. Please describe the process Liberty Utilities used to procure its Energy Service**  
8 **supply for the period beginning May 1, 2015.**

9 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with  
10 applicable law and Commission directives. The Company complied with the solicitation,  
11 bid evaluation and procurement process set forth in the Settlement Agreement dated  
12 November 18, 2005, which agreement was approved by the Commission in Order No.  
13 24,577 ("Order") on January 13, 2006 in Docket No. DE 05-126, amended by Order No.  
14 24,922 in Docket No. DE 08-011 and further amended by Order No. 25,601 in Docket  
15 No. DE 13-018 (as amended, the "Settlement Agreement"). On February 13, 2015,  
16 Liberty Utilities issued a request for proposals ("RFP") for certain power supply services  
17 and sought suppliers for Liberty Utilities' Energy Service covering both the Large and  
18 Small Customer Groups.

19 **Q. Was the Company's solicitation for the period beginning May 1, 2015 consistent**  
20 **with the Commission approved process for Energy Service?**

21 A. Yes, Liberty Utilities' Energy Service RFP was conducted consistent with the  
22 Commission approved process.

1 **Q. Has the Company made any adjustments to its procurement process in response to**  
2 **Order No. 25,763 issued in DE 14-211?**

3 A. No. The Order was issued after the Company released its RFP. The Company did not  
4 have sufficient time to adjust the RFP schedule. The Company is proposing to adjust the  
5 next RFP to accommodate the Commission's suggestion "to build time into its  
6 solicitation process to re-issue a failed RFP before taking any other course of action."  
7 (Order No. 25, 763 Page 10). As a result, the Company is proposing to schedule the next,  
8 and subsequent RFPs one month earlier than scheduled in past RFPs.

9 **Q. Could you describe the nature of the RFP that Liberty Utilities issued?**

10 A. On February 13, 2015, Liberty Utilities issued a RFP to approximately twenty-five  
11 potential suppliers soliciting power supplies for the period May 1, 2015 through October  
12 31, 2015. Liberty Utilities also distributed the RFP to all members of the New England  
13 Power Pool ("NEPOOL") Markets Committee and posted the RFP on Liberty Utilities'  
14 energy supply website. As a result, the RFP had wide distribution throughout the New  
15 England energy supply marketplace. The RFP requested fixed pricing for each month of  
16 service on an as-delivered energy basis. Prices could vary by month and by service – that  
17 is, the prices did not have to be uniform across the entire service period or between the  
18 three load blocks. A copy of the RFP is provided as Schedule JDW-1.

1 **IV. RESULTS OF ENERGY SERVICE BIDDING**

2 **Q. Mr. Warshaw, did Liberty Utilities receive responses to the RFP?**

3 A. Yes. Indicative proposals were received on March 10, 2015. Final proposals were  
4 received on March 17, 2015. All but one of the bidders made their provision of Liberty  
5 Utilities' Energy Service non-contingent upon the provision of any other service. One  
6 bidder required winning both Large Customer Service blocks to be awarded service. A  
7 summary of the RFP process and bid evaluation is included in Schedule JDW-2.

8 **Q. Was participation in this RFP similar to past RFPs?**

9 A. While the number of bidders providing final prices was consistent to that seen in previous  
10 solicitations, the trend has been fewer bidders participating in these RFPs.

11 **Q. How do the current futures prices for electricity and natural gas compare to the  
12 futures prices at the time of the Company's September 22, 2014 solicitation?**

13 A. The futures market prices for electricity and natural gas at the time of the September 22,  
14 2014 and March 21, 2014 solicitation as well as current futures market prices are shown  
15 in Schedule JDW-3. These are the most recent solicitations for the Small Customer  
16 Group. As shown, electric wholesale prices are significantly lower when compared to the  
17 six-month period ending April 30, 2015 and also lower than this same time last year, but  
18 the change is consistent between the final retail prices and the wholesale electric futures.

19 **Q. Did Liberty Utilities select any of the proposals received in response to the RFP?**

20 A. Yes. Liberty Utilities evaluated the bids received and selected the two suppliers that: (i)

1 provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the  
2 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On  
3 March 18, 2015, Liberty Utilities entered into a wholesale Transaction Confirmation with  
4 NextEra Energy Power Marketing, LLC (“NextEra”) formerly known as FPL Energy  
5 Power Marketing Inc., the winning bidder for the two Large Customer Group blocks, to  
6 provide Energy Service to the Large Customer Group for the six-month period May 1,  
7 2015 through October 31, 2015 and with Exelon Generation Company, LLC (“Exelon”)   
8 formerly known as Constellation Energy Commodities Group, Inc. to provide Energy  
9 Service to the Small Customer Group for the six-month period May 1, 2015 through  
10 October 31, 2015. Together, a Transaction Confirmation and a Master Power Agreement  
11 provide the terms for the purchase of Energy Service from a supplier. A copy of the  
12 NextEra Master Power Agreement was filed with the Commission on September 17,  
13 2007 in Docket No. DE 07-12) (Energy Service proceeding), and the First Amendment to  
14 that Master Power Agreement was filed with the Commission on September 20, 2010 in  
15 Docket DE 10-020 (Energy Service proceeding). A copy of the Exelon Master Power  
16 Agreement was filed with the Commission on March 20, 2006 in Docket No. DE 06-115  
17 (Energy Service proceeding), and the First Amendment to that Master Power Agreement  
18 was filed with the Commission on September 15, 2009 in Docket No. DE 09-010 (Energy  
19 Service proceeding). The Transaction Confirmation between Liberty Utilities and  
20 NextEra, with certain confidential sections redacted, is attached hereto as Schedule JDW-  
21 4. A copy of the Transaction Confirmation between Liberty and Exelon, with certain  
22 confidential sections redacted, is attached hereto as Schedule JDW-5.

1 V. **RENEWABLE PORTFOLIO STANDARD**

2 Q. **Mr. Warshaw, what are the RPS obligations for 2015?**

3 A. As specified in the RPS law, RSA 362-F, the RPS law requires a provider of electricity to  
4 obtain electric supply that meets the following minimum percentages:

<b>NH-RPS Classes</b>	<b>2015</b>
RPS Class I	5.4%
RPS Class I Thermal	0.6%
RPS Class II	0.3%
RPS Class III	0.5%
RPS Class IV	1.5%
Total	8.3%

5 Q. **How does Liberty Utilities expect to satisfy its RPS obligations consistent with the  
6 RPS rules as promulgated by the Commission?**

7 A. On February 18, 2009, Liberty Utilities entered into an amended settlement agreement  
8 with the Commission Staff and the Office of Consumer Advocate intended to resolve all  
9 issues associated with the process by which Liberty Utilities would comply with the  
10 requirements of the RPS law and the Puc 2500 rules (“Amended RPS Settlement”). The  
11 Amended RPS Settlement was approved by the Commission on March 23, 2009 in Order  
12 No. 24,953 in Docket No. DE 09-010. The Company may satisfy RPS obligations by  
13 providing either RECs for each RPS class from the New England Power Pool Generation  
14 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance  
15 Payment (“ACP”) to the State of New Hampshire’s Renewable Energy Fund. As  
16 specified in the Amended RPS Settlement, Liberty Utilities requested bidders to provide  
17 a 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 Energy Service obligation.

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

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

11 **Q. What were the criteria Liberty Utilities used to evaluate the RPS compliance adder**  
12 **provided by the bidder?**

13 A. One of the bidders submitted a RPS compliance adder. The Company compares the  
14 proposed adder to the current market price for New Hampshire RPS compliant RECs to  
15 determine whether the proposed adder is reasonable. To develop a market price, Liberty  
16 Utilities issued a request for proposals on February 13, 2015 for the acquisition of New  
17 Hampshire RPS compliant RECs to meet its 2014 obligations and a portion of its 2015  
18 RPS obligations. Liberty Utilities received no bids to supply RECs on March 16, 2015.  
19 Liberty Utilities used the contracted prices from a previous solicitation (see Schedule  
20 JDW-6) to calculate a market price for RPS compliance.

1 **Q. Is Liberty Utilities proposing any changes to the RPS compliance adder at this time?**

2 A. Yes. Liberty Utilities is proposing to change the Commission-approved RPS compliance  
3 adder to reflect the results of its RPS solicitation and the recent decrease in the Class III  
4 RPS obligation scheduled for 2015. Liberty Utilities proposes to use a combination of  
5 the bid prices of RPS classes it received in its RPS solicitation and the applicable ACP  
6 for those RPS classes that did not receive bids in its RPS solicitation.

7 **Q. How did Liberty Utilities calculate the Renewable Portfolio Standard Adder?**

8 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used a combination of prices  
9 it received in its RPS solicitation and ACPs. The retail RPS costs were calculated on a  
10 per megawatt-hour (MWh) basis. The Company divided the calculated costs by ten in  
11 order to convert from dollars per MWh retail cost to cents per kilowatt-hour (kWh) rate  
12 for retail use.

13 **Q. What happens if Liberty Utilities' actual RPS compliance costs are different from  
14 those used in calculating the RPS compliance adder?**

15 A. As described in Ms. Tebbetts' testimony, Liberty Utilities reconciles its costs of RPS  
16 compliance with the revenue billed to customers from the RPS compliance adder. This  
17 reconciliation occurs as part of the annual Energy Service reconciliation that is included  
18 in Ms. Tebbetts' testimony.

19 **Q. Has Liberty Utilities been able to contract for RECs?**

20 A. Yes. In September and October 2014, Liberty Utilities was able to contract for Class I,

1 Thermal Class I, and Class IV RECs to help meet its 2014 and 2015 RPS obligations. A  
2 summary of the results of Liberty Utilities' August 15, 2014 RPS solicitation is included  
3 in Schedule JDW-6. If Liberty Utilities is unable to purchase sufficient RECs to meet its  
4 New Hampshire RPS obligations, it will then, consistent with the RPS rules, make an  
5 ACP to the State of New Hampshire's Renewable Energy Fund.

6 **Q. When will Liberty Utilities issue the next REC request for proposals?**

7 A. Liberty Utilities plans to issue a RPS solicitation in July 2015 to procure RECs to satisfy  
8 the 2015 and 2016 RPS obligations. Through that solicitation, Liberty Utilities will  
9 attempt to procure the quantity of RECs necessary to satisfy the 2015 and 2016  
10 obligations for load that will be serviced under Energy Service supply contracts.

11 **VI. ENERGY SERVICE COMMODITY COSTS**

12 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**  
13 **Liberty Utilities' expected procurement cost used to develop the proposed retail**  
14 **rates.**

15 A. The load-weighted average of the power supply costs for the Large Customer Group for  
16 May 1, 2015 through July 31, 2015 is 5.915¢ per kWh and for August 1, 2015 through  
17 October 31, 2015 is 5.985¢ per kWh compared to the load-weighted average of 15.749¢  
18 per kWh for the period November 1, 2014 through January 31, 2015 and 13.287¢ per  
19 kWh for the period February 1, 2015 through April 30, 2015. The load-weighted average  
20 of the power supply costs for the Small Customer Group is 5.955¢ per kWh compared to  
21 the load-weighted average of 15.058¢ per kWh for the period November 1, 2014 through

1 April 30, 2015. The power supply costs at the retail customer meter (¢ per kWh) were  
2 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by  
3 the applicable loss factor and then dividing the results by ten. The applicable loss factors  
4 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated  
5 ratio of wholesale purchases to retail deliveries.

6 **Q. How will Liberty Utilities reconcile any difference in costs associated with Energy**  
7 **Service?**

8 A. As discussed by Ms. Tebbetts, to the extent that the actual cost of procuring Energy  
9 Service vary from the amounts billed to customers for the service, Liberty Utilities will  
10 continue to reconcile the difference through a reconciliation mechanism pursuant to  
11 Liberty Utilities' Energy Service Adjustment Provision contained in its currently  
12 effective Retail Delivery Tariff.

13 **VII. BORDERLINE SALES DISCUSSIONS**

14 **Q. What is the current status of the residential customer residing in New Hampshire**  
15 **that has been served by Massachusetts Electric Company ("MECO")?**

16 A. Liberty Utilities is in the process of executing a Borderline Service Agreement to allow  
17 MECO to continue provide electric service to the customer with Liberty Utilities  
18 compensating MECO for the cost of serving the customer. Once the agreement is  
19 executed, the customer will become a customer of Liberty Utilities. On January 9, 2015  
20 MECO informed the customer of the upcoming change in service. A copy of the letter  
21 (with the customer identifying information redacted) is included in Schedule JDW-7.

1 **VIII. CONCLUSION**

2 **Q. Mr. Warshaw, when will Liberty Utilities issue the next RFP for Energy Service?**

3 A. Both the Large Customer Group rates proposed in this filing and the Small Customer  
4 Group Rates end on October 31, 2015. Per the terms of the Settlement Agreement,  
5 Liberty Utilities will issue a RFP for both groups in July 2015. For purposes of notice to  
6 the Commission, the following table illustrates Liberty Utilities' proposed timeline for  
7 the next RFP:

<b>RFP Process Steps</b>	<b>August 2015 RFP</b>
RFP Issued	July 17, 2015
Indicative Bids Due	August 11, 2015
Final Bids Due	August 18, 2015
Contract Execution	By August 19, 2015
Energy Service Filing to Commission	August 24, 2015
Commission Order Needed	August 31, 2015
Service Begins	November 1, 2015

8 However, I note that the Commission is currently considering changes to the  
9 methodology and process for procuring default service in Docket No. IR 14-338.

10 Therefore, the schedule shown above is subject to change to the extent that any changes  
11 are required as a result of the Commission's order in Docket No. IR 14-338.

12 **Q. Does this conclude your testimony?**

13 A. Yes, it does.