

**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 November 1, 2015 to July 31, 2016

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

September 21, 2015

1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is John D. Warshaw. My business address is 15 Buttrick Road, Londonderry,
4 NH 03053.

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

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

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

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

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

16 A. In November 2011, I joined Liberty Energy NH as Manager, Electric Supply for Liberty
17 Utilities. Prior to my employment at Liberty Energy NH, I was employed by National
18 Grid USA Service Company (“National Grid”) as a Principal Analyst in Energy Supply –
19 New England from 2000 to 2010. In that position I conducted a number of solicitations
20 for wholesale power to meet the needs of National Grid’s New England distribution
21 companies. I also administered both short-term and long-term power purchase

1 agreements for National Grid’s New England distribution companies. Prior to my
2 employment at National Grid, I was employed at COM/Energy (now NSTAR) from 1992
3 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory Affairs at COM/Energy
4 responsible for supporting state and federal rate filings. In 1997, I transferred to
5 COM/Electric to work in Power Supply Administration.

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

8 A. Yes. I most recently testified before the Commission in Docket No. DE 15-010 on
9 August 11, 2015.

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

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

14 **II. Purpose of Testimony**

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

16 A. The purpose of my testimony is to request Commission approval of Liberty Utilities’
17 proposed Energy Service rates for both (i) the Large and Medium Commercial and
18 Industrial Customer Group (“Large Customer Group”¹) and the (ii) the Residential and

¹ 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.

1 Small Commercial Customer Group (“Small Customer Group”²) for the nine-month
2 period November 1, 2015 through July 31, 2016. My testimony will describe the process
3 used by Liberty Utilities to procure Energy Service for both the Large and Small
4 Customer Groups, the proposed Energy Service rates, how the Company proposes to
5 meet its 2015 and 2016 Renewable Portfolio Standard (“RPS”) obligations and the
6 resulting Renewable Portfolio Standard Adder for service rendered on and after
7 November 1, 2015.

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

- | | | | |
|----|----|----------------|---|
| 9 | A. | Schedule JDW-1 | Energy Service RFP November 1, 2015 through July 31, 2016 |
| 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 November |
| 14 | | | 1, 2015 through April 30, 2016 |
| 15 | | Schedule JDW-5 | Energy Service Contract for the Large Customer Group May 1, |
| 16 | | | 2016 through July 31, 2016 |
| 17 | | Schedule JDW-6 | Energy Service Contract for the Small Customer Group November |
| 18 | | | 1, 2015 through July 31, 2016 |

19 **III. Energy Service Bidding Process**

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

- 22 A. Pursuant to the procurement process approved by the Commission, which I describe later
23 in my testimony, Liberty Utilities procures power supply through contracts having a

² 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 three-month term for the Large Customer Group and a six-month term for the Small
2 Customer Group. Liberty Utilities' currently effective Energy Service supply contracts
3 for both the Large and Small Customer Groups expire on October 31, 2015. Therefore,
4 to assure that Energy Service will continue to be available, Liberty Utilities requires new
5 Energy Service supply arrangements beginning November 1, 2015.

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

8 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with
9 applicable law and Commission directives. The Company complied with the solicitation,
10 bid evaluation and procurement process set forth in the Settlement Agreement dated
11 November 18, 2005, which agreement was approved by the Commission in Order No.
12 24,577 ("Order") on January 13, 2006 in Docket No. DE 05-126, amended by Order No.
13 24,922 in Docket No. DE 08-011, amended by Order No. 25,601 in Docket No. DE 13-
14 018 and further amended by Order No. 25,806 in Docket No. DE 15-010 (as amended,
15 the "Settlement Agreement"). On August 17, 2015, Liberty Utilities issued a request for
16 proposals ("RFP") for certain power supply services and sought suppliers for Liberty
17 Utilities' Energy Service covering both the Large and Small Customer Groups.

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

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

1 **Q. Has the Company made any adjustments to its procurement process in response to**
2 **the comments made by the Commission in Docket IR 14-338?**

3 A. Yes. On July 22, 2015 in Docket No. 15-010, the Company filed a petition for approval
4 of revisions to the procurement process for default service supply. This petition was filed
5 in response to the comments of the Commissioners in the IR 14-338 hearing held on May
6 27, 2015. A hearing was held on August 11, 2015 in DE 15-010 to review the petition
7 and the Company received Order No. 25,806 on September 2, 2015, approving the
8 proposed revisions. The Company proposed, and the Commission approved, a shift in
9 the service periods from two consecutive six-month periods beginning May 1 and
10 November 1 to two six-month periods beginning February 1 and August 1. The intent of
11 this change is to split the high-priced winter months from one six-month period into two
12 separate six-month periods. Additionally, in order to implement the proposed changes,
13 the Company also requested to issue a nine-month solicitation for service beginning
14 November 1, 2015 and ending on July 31, 2016. The RFP that was issued is consistent
15 with the Order approving the petition.

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

17 A. On August 17, 2015, Liberty Utilities issued a RFP to approximately twenty-five
18 potential suppliers soliciting power supplies for the period November 1, 2015 through
19 July 31, 2016. Liberty Utilities also distributed the RFP to all members of the New
20 England Power Pool (“NEPOOL”) Markets Committee and posted the RFP on Liberty
21 Utilities’ energy supply website. As a result, the RFP had wide distribution throughout
22 the New England energy supply marketplace. The RFP requested fixed pricing for each

1 month of service on an as-delivered energy basis. Prices could vary by month and by
2 service—that is, the prices did not have to be uniform across the entire service period or
3 between the three load blocks. A copy of the RFP is provided as Schedule JDW-1.

4 **IV. Results of Energy Service Bidding**

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

6 A. Yes. Indicative proposals were received on September 8, 2015. Final proposals were
7 received on September 15, 2015. None of the bidders made their provision of Liberty
8 Utilities' Energy Service contingent upon the provision of any other service.

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

10 A. More bidders provided final prices than had in recent solicitations.

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 17, 2015 solicitations 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 higher when compared to the six-month
17 period ending October 31, 2015, but significantly lower than this same time last year.
18 The direction of the change is consistent between the final retail prices and the wholesale
19 electric futures.

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

2 A. Yes. Liberty Utilities evaluated the bids received and selected the three suppliers that:
3 (i) provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the
4 credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On
5 September 15, 2015, Liberty Utilities entered into a wholesale Transaction Confirmation
6 with NextEra Energy Power Marketing, LLC (“NextEra”) formerly known as FPL
7 Energy Power Marketing Inc., the winning bidder for two Large Customer Group blocks,
8 to provide Energy Service to the Large Customer Group for the six-month period
9 November 1, 2015 through April 30, 2016, Dominion Energy Marketing, Inc.
10 (“Dominion”), the winning bidder for a Large Customer Group block, to provide Energy
11 Service to the Large Customer Group for the three-month period May 1, 2016 through
12 July 31, 2016 and with TransCanada Power Marketing, LTD. (“TCPM”) to provide
13 Energy Service to the Small Customer Group for the nine-month period November 1,
14 2015 through July 31, 2016. Together, a Transaction Confirmation and a Master Power
15 Agreement provide the terms for the purchase of Energy Service from a supplier.

16 A copy of the NextEra Master Power Agreement was filed with the Commission on
17 September 17, 2007 in Docket No. DE 07-12) (Energy Service proceeding), and the First
18 Amendment to that Master Power Agreement was filed with the Commission on
19 September 20, 2010 in Docket DE 10-020 (Energy Service proceeding). The Transaction
20 Confirmation between Liberty Utilities and NextEra, with certain confidential sections
21 redacted, is attached hereto as Schedule JDW-4. A copy of the Dominion Master Power
22 Agreement was filed with the Commission on March 16, 2009 in Docket DE 09-010. A

1 copy of the First Amendment to the Master Power Agreement was filed with the
2 Commission on September 20, 2010 in Docket DE 10-020. The Transaction
3 Confirmation between Liberty Utilities and Dominion, with certain confidential sections
4 redacted, is attached hereto as Schedule JDW-5. A copy of the TCPM Master Power
5 Agreement was filed with the Commission on March 16, 2009 in Docket DE 09-010.
6 The Transaction Confirmation between Granite State and TCPM, with certain
7 confidential sections redacted, is attached hereto as Schedule JDW- 6.

8 **V. Renewable Portfolio Standard**

9 **Q. Mr. Warshaw, what are the RPS obligations for 2015 and 2016?**

10 A. As specified in the RPS law, RSA 362-F, a provider of electricity must obtain and retire
11 certificates sufficient in number and class type to meet the following minimum
12 percentages of total megawatt-hours of electricity supplied by the provider to its
13 customers that year:

NH-RPS Classes	2015	2016
RPS Class I	5.4%	5.6%
RPS Class I Thermal	0.6%	1.3%
RPS Class II	0.3%	0.3%
RPS Class III	0.5%	8.0%
RPS Class IV	1.5%	1.5%
Total	8.3%	16.7%

14

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

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

16 **Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder**
17 **satisfy the RPS obligation?**

18 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
19 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
20 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company
21 the ACP for the undelivered RECs. The quantity of RECs required is calculated by

1 multiplying the RPS obligation percentage for each REC class by the electricity sales for
2 the term of the transaction.

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

5 A. One of the bidders submitted a RPS compliance adder. When including the submitted
6 RPS adder, the bidder was not the lowest cost supplier.

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

8 A. Yes. Liberty Utilities is proposing to change the Commission-approved RPS compliance
9 adder to reflect the results of its most recent RPS solicitation to meet the RPS obligations
10 of 2015 and 2016. Liberty Utilities issued a request for proposals on August 16, 2015,
11 for the acquisition of New Hampshire RPS compliant RECs to meet its 2015 obligations
12 and a portion of its 2016 RPS obligations. The results of Liberty Utilities' August 16,
13 2015, solicitation are included in Schedule JDW-2, Exhibit 10. Liberty Utilities proposes
14 to use a combination of the bid prices of RPS classes it received in its RPS solicitation
15 and the applicable ACP for those RPS classes that did not receive bids in its RPS
16 solicitation.

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

18 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used a combination of prices
19 it received in its RPS solicitation and ACPs. The retail RPS costs were calculated on a
20 per megawatt-hour (MWh) basis. The Company divided the calculated costs by ten in

1 order to convert from dollars per MWh retail cost to cents per kilowatt-hour (kWh) rate
2 for retail use.

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

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

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

10 A. Yes. In September and October 2014, Liberty Utilities was able to contract for Class I,
11 Thermal Class I, and Class IV RECs to help meet a portion of its 2015 RPS obligations.
12 A summary of the results of Liberty Utilities' August 16, 2015, RPS solicitation is
13 included in Schedule JDW-6. At this time, Liberty Utilities has completed its analysis of
14 the bids but has not started contract negotiations with the bidders. Liberty Utilities will
15 notify the winning bidders by September 30, 2015, and begin contract negotiations and
16 will provide an update in the next Energy Service filing scheduled for June 2016. If
17 Liberty Utilities is unable to purchase sufficient RECs to meet its New Hampshire RPS
18 obligations, it will then, consistent with the RPS rules, make an ACP to the State of New
19 Hampshire's Renewable Energy Fund.

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

2 A. Liberty Utilities plans to issue a RPS solicitation in May 2016 to procure RECs to satisfy
3 the 2015 and 2016 RPS obligations. Through that solicitation, Liberty Utilities will
4 attempt to procure the quantity of RECs necessary to satisfy the 2015 and 2016
5 obligations for load that will be serviced under Energy Service supply contracts.

6 **VI. Energy Service Commodity Costs**

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

10 A. The load-weighted average of the power supply costs for base rates for the Large
11 Customer Group for November 1, 2015 through July 31, 2015 is 7.618¢ per kWh
12 compared to the load-weighted average of 5.950¢ per kWh for the period May 1, 2015
13 through October 31, 2015. The load-weighted average of the power supply costs for base
14 rates for the Small Customer Group for November 1, 2015 through July 31, 2015 is
15 8.252¢ per kWh compared to the load-weighted average of 5.954¢ per kWh for the period
16 May 1, 2015 through October 31, 2015. The power supply costs at the retail customer
17 meter (¢ per kWh) were calculated by multiplying the commodity prices at the wholesale
18 level (\$ per MWh) by the applicable loss factor and then dividing the results by ten. The
19 applicable loss factors can be found in the RFP summary in Schedule JDW-2. The loss
20 factor is a calculated ratio of wholesale purchases to retail deliveries.

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

3 A. As discussed by Ms. Tebbetts, to the extent that the actual cost of procuring Energy
4 Service varies from the amounts billed to customers for the service, Liberty Utilities will
5 continue to reconcile the difference through a reconciliation mechanism pursuant to
6 Liberty Utilities' Energy Service Adjustment Provision contained in its currently
7 effective Retail Delivery Tariff.

8 **VII. Conclusion**

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

10 A. Both the Large Customer Group rates proposed in this filing and the Small Customer
11 Group Rates end on July 31, 2016. Per the terms of the Settlement Agreement, Liberty
12 Utilities will issue a RFP for both groups in May 2016. For purposes of notice to the
13 Commission, the following table illustrates Liberty Utilities' proposed timeline for the
14 next RFP:

RFP Process Steps	May 2016 RFP
RFP Issued	May 17, 2016
Indicative Bids Due	June 7, 2016
Final Bids Due	June 14, 2016
Contract Execution	By June 16, 2016
Energy Service Filing to Commission	June 20, 2016
Commission Order Needed	June 27, 2016
Service Begins	August 1, 2016

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

2 **A. Yes, it does.**

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