



Stephen R. Hall  
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August 17, 2015

Hon. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: *Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty Utilities*  
Docket No. ER15-\_\_\_\_\_  
Filing of Rate Updates Under Borderline Sales Tariff and  
Request for Waiver of Commission Notice Requirements

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (16 U.S.C. § 824d), Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (“Liberty Utilities”) hereby submits for Federal Energy Regulatory Commission (“Commission”) acceptance the attached revised version of Schedule III of its Borderline Sales Tariff, FERC Electric Tariff Volume No. 2 (“Tariff”), to include the updates discussed below to Liberty Utilities’ distribution service rates (collectively, “Rate Updates”). Liberty Utilities respectfully requests waiver of the Commission’s notice requirements to permit the attached Rate Updates to go into effect as of the effective dates shown in revised Schedule III, List of Rate Changes, to the Borderline Sales Tariff.

## **I. STATEMENT OF REASON**

Pursuant to Liberty Utilities’ Tariff, Liberty Utilities makes borderline sales under retail delivery service tariffs approved by the New Hampshire Public Utilities Commission (“PUC”), for the purpose of providing electric energy to specified retail locations in the service territory of another utility where the utility’s distribution facilities are not readily available to provide service and where it is more economical for Liberty Utilities to provide service.<sup>1</sup> From time to time, Liberty Utilities files with the PUC proposed revisions to the base distribution service rates and to the non-base distribution service rates, which are components of the retail delivery service tariffs that underlie the Tariff.<sup>2</sup> After the PUC issues orders on Liberty Utilities’ proposed base distribution service rate revisions, Liberty Utilities is required by the Tariff to file documentation with the Commission regarding the PUC’s actions.<sup>3</sup>

Prior to the submittal of the instant filing, Liberty Utilities most recently filed such documentation with the Commission in September 2014. Since Liberty Utilities last filing, the

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<sup>1</sup> Borderline Sales Tariff, Schedule I, Section A.

<sup>2</sup> Borderline Sales Tariff, Schedule I, Section F.

<sup>3</sup> *Id.*

Hon. Kimberly D. Bose

August 17, 2015

Page 2

PUC has approved several changes to Liberty Utilities' base distribution service rates and non-base distribution service rates. Accordingly, Liberty Utilities is filing revised Schedule III to reflect these new rates. Liberty Utilities respectfully requests the Commission approve these Rate Updates pursuant to its policy of allowing the wholesale rates under a borderline sales tariff to mirror the retail rates approved by the selling utility's state commission.<sup>4</sup>

## II. REQUEST FOR WAIVER OF COMMISSION NOTICE REQUIREMENTS

Pursuant to Section 35.11 of the Commission's regulations (18 C.F.R. § 35.11), Liberty Utilities respectfully requests waiver of Section 35.3 of the Commission's regulations (18 C.F.R. § 35.3) in order to permit the Rate Updates included in this filing to go into effect as of the effective dates shown in revised Schedule III, List of Rate Changes, to the Tariff. Granting the requested waiver is appropriate because the Rate Updates were filed and fully adjudicated in proceedings before the PUC. Therefore, all interested parties were provided with timely notice regarding the provisions of the Rate Updates. For these reasons, the Commission should grant Liberty Utilities' request for waiver of the notice requirements.

## III. ATTACHMENTS

Attached hereto are the following documents:

1. A clean version of Schedule III;
2. A redline version of Schedule III showing the changes from the currently effective Schedule III; and
3. For informational purposes and ease of reference, a copy of the PUC orders approving the Rate Updates.

## IV. SERVICE

Copies of this filing have been served upon regulators in the State of New Hampshire and Liberty Utilities borderline sales customers.

Thank you for your attention to this matter. Should you have any questions, please contact the undersigned.

Very truly yours,



Stephen R. Hall

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<sup>4</sup> *Prior Notice and Filing Requirements Under Section II of the Federal Power Act*, 64 FERC ¶ 61,139, at 61,994 (1993) (“*Prior Notice Order*”), citing, *Massachusetts Electric Co.*, 61 FERC ¶ 61,278, at 62,064 (1992) (“[I]n recognition of the character of the borderline service provided, . . . we accepted for filing the wholesale rate that matched the retail rate the Massachusetts Department of Public Utilities set.”); *Northwestern Wisconsin Electric Co.*, 65 FERC ¶ 61,302, at 62,391 n.7 (1993) (“For borderline agreements, the Commission has adopted as the wholesale rate a state commission-approved retail rate.”)

**SUMMARY OF RATES**  
RATES EFFECTIVE NOVEMBER 1, 2014  
FOR USAGE ON AND AFTER NOVEMBER 1, 2014

Rate	Blocks	Distribution Charge (1), (2), (3)	Storm Recovery Adjustment Factor	Electricity Consumption Tax	Transmission Charge	Systems Benefits Charge	Stranded Cost Charge	Total Retail Delivery Services
D	Customer Charge	\$11.81						\$11.81
	1st 250 kWh	\$0.03197	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05999
	Excess 250 kWh	\$0.04797	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.07599
	Off Peak kWh	\$0.03055	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05857
	Farm kWh	\$0.03997	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.06799
	D-6 kWh	\$0.03189	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05991
D-10	Customer Charge	\$11.97						\$11.97
	On Peak kWh	\$0.09032	\$0.00221	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.12176
	Off Peak kWh	\$0.00096	\$0.00221	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.03240
G-1	Customer Charge	\$324.29						\$324.29
	Demand Charge	\$6.92						\$6.92
	On Peak kWh	\$0.00417	\$0.00221	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02827
	Off Peak kWh	\$0.00104	\$0.00221	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02514
G-2	Customer Charge	\$54.09						\$54.09
	Demand Charge	\$6.97						\$6.97
	All kWh	\$0.00144	\$0.00221	\$0.00055	\$0.02147	\$0.00330	\$0.00081	\$0.02978
G-3	Customer Charge	\$11.72						\$11.72
	All kWh	\$0.03971	\$0.00221	\$0.00055	\$0.02108	\$0.00330	\$0.00080	\$0.06765
M	All kWh	\$0.00027	\$0.00221	\$0.00055	\$0.01517	\$0.00330	\$0.00080	\$0.02338
	<i>see tariff for luminaires &amp; pole charges</i>							
T	Customer Charge	\$11.94						\$11.94
	All kWh	\$0.03534	\$0.00221	\$0.00055	\$0.02525	\$0.00330	\$0.00080	\$0.06745
V	Minimum Charge	\$11.76						\$11.76
	All kWh	\$0.04073	\$0.00221	\$0.00055	\$0.02867	\$0.00330	\$0.00080	\$0.07626

(1) Distribution Energy Charges include a Business Profits Tax Surcharge of \$0.00057 per kWh for usage on and after 8/1/01

(2) Distribution Energy Charges include the following credits per kWh in accordance with page 75 of the tariff for usage on and after 5/1/10

<u>Rate Class</u>	<u>D</u>	<u>D-10</u>	<u>G-3</u>	<u>T</u>	<u>V</u>
<u>Credit per kWh</u>	(\$0.00017)	(\$0.00008)	(\$0.00017)	(\$0.00007)	(\$0.00009)

(3) Distribution Energy Charges include a Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor of (\$0.00030) per kWh for usage on and after 6/1/14

System Benefits Charge-Energy Efficiency	\$0.00180	Effective 7/1/11, usage on and after
<u>System Benefits Charge-Statewide Energy Assistance Program</u>	<u>\$0.00150</u>	Effective 7/1/11, usage on and after
Total System Benefits Charge	\$0.00330	
Transmission Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Stranded Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Energy Service Charge		
Residential & Small Commercial (D, D-10, G-3, M, T, V)	\$0.07732	Effective 5/1/14, usage on and after
	\$0.15487	Effective 11/1/14, usage on and after
Medium/Large Commercial & Industrial (G-1, G-2)	\$0.06630	Effective 10/1/14, usage on and after
	\$0.08453	Effective 11/1/14, usage on and after
	\$0.17502	Effective 12/1/14, usage on and after
	\$0.21900	Effective 1/1/15, usage on and after
	\$0.21171	Effective 2/1/15, usage on and after
	\$0.12733	Effective 3/1/15, usage on and after
	\$0.07642	Effective 4/1/15, usage on and after
Electricity Consumption Tax	\$0.00055	Effective 5/1/01, usage on and after

Dated: September 29, 2014  
Effective: November 1, 2014

Issued by: /s/ Daniel G. Saad  
Daniel G. Saad  
Title: President

**SUMMARY OF RATES**  
RATES EFFECTIVE DECEMBER 1, 2014  
FOR USAGE ON AND AFTER December 1, 2014

Rate	Blocks	Distribution Charge (1), (2), (3)	Storm Recovery Adjustment Factor	Electricity Consumption Tax	Transmission Charge	Systems Benefits Charge	Stranded Cost Charge	Total Retail Delivery Services
D	Customer Charge	\$11.67						\$11.67
	1st 250 kWh	\$0.03074	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05876
	Excess 250 kWh	\$0.04656	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.07458
	Off Peak kWh	\$0.02933	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05735
	Farm kWh	\$0.03865	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.06667
	D-6 kWh	\$0.03066	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05868
D-10	Customer Charge	\$11.83						\$11.83
	On Peak kWh	\$0.08843	\$0.00221	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.11987
	Off Peak kWh	\$0.00008	\$0.00221	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.03152
G-1	Customer Charge	\$320.63						\$324.29
	Demand Charge	\$6.84						\$6.92
	On Peak kWh	\$0.00325	\$0.00221	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02827
	Off Peak kWh	\$0.00016	\$0.00221	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02514
G-2	Customer Charge	\$53.48						\$543.48
	Demand Charge	\$6.89						\$6.89
	All kWh	\$0.00055	\$0.00221	\$0.00055	\$0.02147	\$0.00330	\$0.00081	\$0.02889
G-3	Customer Charge	\$11.58						\$11.58
	All kWh	\$0.03839	\$0.00221	\$0.00055	\$0.02108	\$0.00330	\$0.00080	\$0.06633
M	All kWh	(\$0.0006)	\$0.00221	\$0.00055	\$0.01517	\$0.00330	\$0.00080	\$0.02143
	<i>see tariff for luminaires &amp; pole charges</i>							
T	Customer Charge	\$11.80						\$11.80
	All kWh	\$0.03407	\$0.00221	\$0.00055	\$0.02525	\$0.00330	\$0.00080	\$0.06618
V	Minimum Charge	\$11.62						\$11.62
	All kWh	\$0.03940	\$0.00221	\$0.00055	\$0.02867	\$0.00330	\$0.00080	\$0.07493

(1) Distribution Energy Charges include a Business Profits Tax Surcharge of \$0.00057 per kWh for usage on and after 8/1/01

(2) Distribution Energy Charges include the following credits per kWh in accordance with page 75 of the tariff for usage on and after 5/1/10

<u>Rate Class</u>	<u>D</u>	<u>D-10</u>	<u>G-3</u>	<u>T</u>	<u>V</u>
<u>Credit per kWh</u>	(\$0.00017)	(\$0.00008)	(\$0.00017)	(\$0.00007)	(\$0.00009)

(3) Distribution Energy Charges include a Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor of (\$0.00030) per kWh for usage on and after 6/1/14

System Benefits Charge-Energy Efficiency	\$0.00180	Effective 7/1/11, usage on and after
<u>System Benefits Charge-Statewide Energy Assistance Program</u>	<u>\$0.00150</u>	Effective 7/1/11, usage on and after
Total System Benefits Charge	\$0.00330	
Transmission Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Stranded Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Energy Service Charge		
Residential & Small Commercial (D, D-10, G-3, M, T, V)	\$0.07732	Effective 5/1/14, usage on and after
	\$0.15487	Effective 11/1/14, usage on and after
Medium/Large Commercial & Industrial (G-1, G-2)	\$0.06630	Effective 10/1/14, usage on and after
	\$0.08453	Effective 11/1/14, usage on and after
	\$0.17502	Effective 12/1/14, usage on and after
	\$0.21900	Effective 1/1/15, usage on and after
	\$0.21171	Effective 2/1/15, usage on and after
	\$0.12733	Effective 3/1/15, usage on and after
	\$0.07642	Effective 4/1/15, usage on and after
Electricity Consumption Tax	\$0.00055	Effective 5/1/01, usage on and after

Dated: December 2, 2014  
Effective: December 1, 2014

Issued by: /s/ Daniel G. Saad  
Daniel G. Saad  
Title: President

RATES EFFECTIVE MAY 1, 2015  
FOR USAGE ON AND AFTER MAY 1, 2015

Rate	Blocks	Distribution Charge	Business Profits Tax	REP/VMP	Energy Service Adjustment	Net Distribution Charge	Transmission Charge	Stranded Cost Charge	Storm Recovery Adjustment Factor	System Benefits Charge	Electricity Consumption Tax	Total Delivery Services	Energy Service	Total Rate	
D	Customer Charge	\$ 11.79				<b>11.79</b>						<b>11.79</b>		\$ <b>11.79</b>	
	1st 250 kWh	\$ 0.03185	0.00057	(0.00017)	(0.00017)	<b>0.03208</b>	0.03557	(0.00150)	0.00221	0.00330	0.00055	<b>0.07221</b>	0.07063	\$ <b>0.14284</b>	
	Excess kWh	\$ 0.04784	0.00057	(0.00017)	(0.00017)	<b>0.04807</b>	0.03557	(0.00150)	0.00221	0.00330	0.00055	<b>0.08820</b>	0.07063	\$ <b>0.15883</b>	
Off Peak Water Heating Use 16 Hour Control <sup>1</sup>	All kWh	\$ 0.03042	0.00057	(0.00017)	(0.00017)	<b>0.03065</b>	0.03557	(0.00150)	0.00221	0.00330	0.00055	<b>0.07078</b>	0.07063	\$ <b>0.14141</b>	
Off Peak Water Heating Use 6 Hour Control <sup>1</sup>	All kWh	\$ 0.03176	0.00057	(0.00017)	(0.00017)	<b>0.03199</b>	0.03557	(0.00150)	0.00221	0.00330	0.00055	<b>0.07212</b>	0.07063	\$ <b>0.14275</b>	
Farm <sup>1</sup>	All kWh	\$ 0.03984	0.00057	(0.00017)	(0.00017)	<b>0.04007</b>	0.03557	(0.00150)	0.00221	0.00330	0.00055	<b>0.08020</b>	0.07063	\$ <b>0.15083</b>	
D-10	Customer Charge	\$ 11.95				<b>11.95</b>						<b>11.95</b>		\$ <b>11.95</b>	
	On Peak kWh	\$ 0.09007	0.00057	(0.00017)	(0.00008)	<b>0.09039</b>	0.03558	(0.00154)	0.00221	0.00330	0.00055	<b>0.13049</b>	0.07063	\$ <b>0.20112</b>	
	Off Peak kWh	\$ 0.00076	0.00057	(0.00017)	(0.00008)	<b>0.00108</b>	0.03558	(0.00154)	0.00221	0.00330	0.00055	<b>0.04118</b>	0.07063	\$ <b>0.11181</b>	
G-1	Customer Charge	\$ 324.09				<b>324.09</b>						<b>324.09</b>		\$ <b>345.09</b>	
	Demand Charge	\$ 5.91				<b>6.91</b>						<b>6.91</b>		\$ <b>6.91</b>	
	On Peak kWh	\$ 0.00389	0.00057	(0.00017)	NA	<b>0.00429</b>	0.03118	(0.00150)	0.00221	0.00330	0.00055	<b>0.04003</b>	0.05973	\$ <b>0.09976</b>	
													0.06683	\$ <b>0.10686</b>	
													0.07808	\$ <b>0.11811</b>	
													0.07084	\$ <b>0.11087</b>	
													0.06719	\$ <b>0.10722</b>	
													0.07102	\$ <b>0.11105</b>	
														0.05973	\$ <b>0.09663</b>
														0.06683	\$ <b>0.10373</b>
														0.07808	\$ <b>0.11498</b>
														0.07084	\$ <b>0.10774</b>
														0.06719	\$ <b>0.10409</b>
													0.07102	\$ <b>0.10792</b>	
G-2	Customer Charge	\$ 54.05				<b>54.05</b>						<b>54.05</b>		\$ <b>54.05</b>	
	Demand Charge	\$ 6.96				<b>6.96</b>						<b>6.96</b>		\$ <b>6.96</b>	
	All kWh	\$ 0.00116	0.00057	(0.00017)	NA	<b>0.00156</b>	0.03424	(0.00151)	0.00221	0.00330	0.00055	<b>0.04035</b>	0.05973	\$ <b>0.10008</b>	
													0.06683	\$ <b>0.10718</b>	
													0.07808	\$ <b>0.11843</b>	
													0.07084	\$ <b>0.11119</b>	
													0.06719	\$ <b>0.10754</b>	
												0.07102	\$ <b>0.11137</b>		
G-3	Customer Charge	\$ 11.70				<b>11.70</b>						<b>11.70</b>		\$ <b>11.70</b>	
	All kWh	\$ 0.03958	0.00057	(0.00017)	(0.00017)	<b>0.03981</b>	0.03400	(0.00144)	0.00221	0.00330	0.00055	<b>0.07843</b>	0.07063	\$ <b>0.14906</b>	
M	All kWh	\$ -	0.00057	(0.00017)	NA	<b>0.00040</b>	0.02359	(0.00150)	0.00221	0.00330	0.00055	<b>0.02855</b>	0.07063	\$ <b>0.09918</b>	
T	Customer Charge	\$ 11.92				<b>11.92</b>						<b>11.92</b>		\$ <b>11.92</b>	
	All kWh	\$ 0.03511	0.00057	(0.00017)	(0.00007)	<b>0.03544</b>	0.03372	(0.00149)	0.00221	0.00330	0.00055	<b>0.07373</b>	0.07063	\$ <b>0.14436</b>	
V	Minimum Charge	\$ 11.74				<b>11.74</b>						<b>11.74</b>		\$ <b>11.74</b>	
	All kWh	\$ 0.04052	0.00057	(0.00017)	(0.00009)	<b>0.04083</b>	0.04159	(0.00161)	0.00221	0.00330	0.00055	<b>0.08687</b>	0.07063	\$ <b>0.15750</b>	

<sup>1</sup> Rate is a subset of Domestic Rate D

Dated: May 4, 2015  
Effective: May 1, 2015

Issued by: /s/ Daniel G. Saad  
Daniel G. Saad  
Title: President

**SUMMARY OF RATES**  
RATES EFFECTIVE ~~NOVEMBER~~ **JUNE** 1, 2014  
FOR USAGE ON AND AFTER ~~NOVEMBER~~ **JUNE** 1, 2014

Rate	Blocks	Distribution Charge (1), (2), (3)	Storm Recovery Adjustment Factor	Electricity Consumption Tax	Transmission Charge	Systems Benefits Charge	Stranded Cost Charge	Total Retail Delivery Services
D	Customer Charge	\$11.81						\$11.81
	1st 250 kWh	\$0.03197	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.000800	\$0.06107
	Excess 250 kWh	\$0.04797	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.000800	\$0.07707
	Off Peak kWh	\$0.03055	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.000800	\$0.05965
	Farm kWh	\$0.03997	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.000800	\$0.06907
	D-6 kWh	\$0.03189	\$0.00329	\$0.00055	\$0.02116	\$0.00330	\$0.000800	\$0.06099
D-10	Customer Charge	\$11.97						\$11.97
	On Peak kWh	\$0.09032	\$0.00329	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.12284
	Off Peak kWh	\$0.00096	\$0.00329	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.03348
G-1	Customer Charge	\$324.29						\$324.29
	Demand Charge	\$6.92						\$6.92
	On Peak kWh	\$0.00417	\$0.00329	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02935
	Off Peak kWh	\$0.00104	\$0.00329	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02622
G-2	Customer Charge	\$54.09						\$54.09
	Demand Charge	\$6.97						\$6.97
	All kWh	\$0.00144	\$0.00329	\$0.00055	\$0.02147	\$0.00330	\$0.00081	\$0.03086
G-3	Customer Charge	\$11.72						\$11.72
	All kWh	\$0.03971	\$0.00329	\$0.00055	\$0.02108	\$0.00330	\$0.00080	\$0.06873
M	All kWh	\$0.00027	\$0.00329	\$0.00055	\$0.01517	\$0.00330	\$0.00080	\$0.02338
	<i>see tariff for luminaires &amp; pole charges</i>							
T	Customer Charge	\$11.94						\$11.94
	All kWh	\$0.03534	\$0.00329	\$0.00055	\$0.02525	\$0.00330	\$0.00080	\$0.06853
V	Minimum Charge	\$11.76						\$11.76
	All kWh	\$0.04073	\$0.00329	\$0.00055	\$0.02867	\$0.00330	\$0.00080	\$0.07734

- (1) Distribution Energy Charges include a Business Profits Tax Surcharge of \$0.00057 per kWh for usage on and after 8/1/01  
 (2) Distribution Energy Charges include the following credits per kWh in accordance with page 75 of the tariff for usage on and after 5/1/10

Rate Class	D	D-10	G-3	T	V
Credit per kWh	(\$0.00017)	(\$0.00008)	(\$0.00017)	(\$0.00007)	(\$0.00009)

- (3) Distribution Energy Charges include a Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor of (\$0.00030) per kWh for usage on and after 6/1/14

System Benefits Charge-Energy Efficiency	\$0.00180	Effective 7/1/11, usage on and after
System Benefits Charge-Statewide Energy Assistance Program	\$0.00150	Effective 7/1/11, usage on and after
Total System Benefits Charge	\$0.00330	
Transmission Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Stranded Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Energy Service Charge		
Residential & Small Commercial (D, D-10, G-3, M, T, V)	\$0.07732889 9	Effective 5/1/14, usage on and after
	\$0.15487077 32	Effective 11/5/14, usage on and after
Medium / Large Commercial & Industrial (G-1, G-2)	\$0.06630773	Effective 10/4/14, usage on and after
	\$0.08453671 6	Effective 11/5/14, usage on and after
	\$0.17512089 62	Effective 12/6/14, usage on and after
	\$0.21900088 75	Effective 17/1/14, usage on and after

Dated: ~~September~~ **June** xx12, 2014  
~~SaadRichard-Leehr~~  
 Effective: ~~November~~ **June** 1, 2014  
~~SaadRichard-Leehr~~

Issued by: /s/~~Daniel G.~~

~~Daniel G.~~

Title: President

Electricity Consumption Tax

\$0. <del>21171080</del> <del>34</del>	Effective <del>28</del> /1/1 <del>54</del> , usage on and after
\$0. <del>12733066</del> <del>89</del>	Effective <del>39</del> /1/1 <del>54</del> , usage on and after
\$0.0 <del>7642663</del> <del>0</del>	Effective <del>440</del> /1/1 <del>54</del> , usage on and after
\$0.00055	Effective 5/1/01, usage on and after

Dated: ~~September~~~~June~~ ~~xx~~~~12~~, 2014  
~~Saad~~~~Richard~~ ~~Leehr~~  
Effective: ~~November~~~~June~~ 1, 2014  
~~Saad~~~~Richard~~ ~~Leehr~~

Issued by: /s/~~Daniel G.~~

~~Daniel G.~~

Title: President

Authorized by Order No. ~~xx,xxx~~~~25,669~~ Issued ~~May~~~~23~~, 2014 in Docket No. DE 14-086

**SUMMARY OF RATES**  
RATES EFFECTIVE ~~DECEMBER~~NOVEMBER 1, 2014  
FOR USAGE ON AND AFTER ~~NOVEMBER~~DECEMBER 1, 2014

Rate	Blocks	Distribution Charge (1), (2), (3)	Storm Recovery Adjustment Factor	Electricity Consumption Tax	Transmission Charge	Systems Benefits Charge	Stranded Cost Charge	Total Retail Delivery Services
	Customer Charge	\$11. <del>6784</del>						\$11. <del>6784</del>
D	1st 250 kWh	\$0.03 <del>074197</del>	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05 <del>876999</del>
	Excess 250 kWh	\$0.04 <del>656797</del>	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.07 <del>458599</del>
	Off Peak kWh	\$0.0 <del>29333055</del>	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05 <del>735857</del>
	Farm kWh	\$0.03 <del>865997</del>	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.06 <del>667799</del>
	D-6 kWh	\$0.03 <del>066189</del>	\$0.00221	\$0.00055	\$0.02116	\$0.00330	\$0.00080	\$0.05 <del>868991</del>
D-10	Customer Charge	\$11. <del>8397</del>						\$11. <del>8397</del>
	On Peak kWh	\$0.0 <del>88439032</del>	\$0.00221	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.1 <del>19872176</del>
	Off Peak kWh	\$0.000 <del>0896</del>	\$0.00221	\$0.00055	\$0.02458	\$0.00330	\$0.00080	\$0.03 <del>152240</del>
G-1	Customer Charge	\$320. <del>634.29</del>						\$324.29
	Demand Charge	\$6. <del>8492</del>						\$6.92
	On Peak kWh	\$0.00 <del>325417</del>	\$0.00221	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02827
	Off Peak kWh	\$0.00 <del>016104</del>	\$0.00221	\$0.00055	\$0.01724	\$0.00330	\$0.00080	\$0.02514
G-2	Customer Charge	\$53. <del>484.09</del>						\$543. <del>48.09</del>
	Demand Charge	\$6. <del>8997</del>						\$6. <del>8997</del>
	All kWh	\$0.00 <del>055144</del>	\$0.00221	\$0.00055	\$0.02147	\$0.00330	\$0.00081	\$0.02 <del>889978</del>
G-3	Customer Charge	\$11. <del>5872</del>						\$11. <del>5872</del>
	All kWh	\$0.03 <del>839971</del>	\$0.00221	\$0.00055	\$0.02108	\$0.00330	\$0.00080	\$0.06 <del>633765</del>
M	All kWh	<del>(\$0.0006)27</del>	\$0.00221	\$0.00055	\$0.01517	\$0.00330	\$0.00080	\$0.02 <del>143338</del>
<i>see tariff for luminaires &amp; pole charges</i>								
T	Customer Charge	\$11. <del>8094</del>						\$11. <del>8094</del>
	All kWh	\$0.03 <del>407534</del>	\$0.00221	\$0.00055	\$0.02525	\$0.00330	\$0.00080	\$0.06 <del>618745</del>
V	Minimum Charge	\$11. <del>6276</del>						\$11. <del>6276</del>
	All kWh	\$0.0 <del>39404073</del>	\$0.00221	\$0.00055	\$0.02867	\$0.00330	\$0.00080	\$0.07 <del>493626</del>

(1) Distribution Energy Charges include a Business Profits Tax Surcharge of \$0.00057 per kWh for usage on and after 8/1/01

(2) Distribution Energy Charges include the following credits per kWh in accordance with page 75 of the tariff for usage on and after 5/1/10

Rate Class	D	D-10	G-3	T	V
Credit per kWh	(\$0.00017)	(\$0.00008)	(\$0.00017)	(\$0.00007)	(\$0.00009)

(3) Distribution Energy Charges include a Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor of (\$0.00030) per kWh for usage on and after 6/1/14

System Benefits Charge-Energy Efficiency	\$0.00180	Effective 7/1/11, usage on and after
System Benefits Charge-Statewide Energy Assistance Program	\$0.00150	Effective 7/1/11, usage on and after
Total System Benefits Charge	\$0.00330	
Transmission Cost Adjustment Factor	various	Effective 1/1/14, usage on and after
Stranded Cost Adjustment Factor	various	Effective 1/1/14, usage on and after

Dated: ~~December 2~~September 29, 2014

Issued by /s/Daniel G. Saad

~~Richard Leehr~~

Effective: ~~November~~December 1, 2014

~~Richard~~

~~Leehr~~Daniel G. Saad

Title: President

Authorized by ~~Order No. 25,669 Issued May 23, 2014 in Docket No. DE 14-086 and Order No. 25,719 Issued September 29, 2014 in Docket No. DE 14-031~~Order No. 25,738 Issued November 26, 2014 in Docket No. DE 13-063



Energy Service Charge		
Residential & Small Commercial (D, D-10, G-3, M, T, V)	\$0.07732	Effective 5/1/14, usage on and after
	\$0.15487	Effective 11/1/14, usage on and after
Medium / Large Commercial & Industrial (G-1, G-2)	\$0.06630	Effective 10/1/14, usage on and after
	\$0.08453	Effective 11/1/14, usage on and after
	\$0.17502	Effective 12/1/14, usage on and after
	\$0.21900	Effective 1/1/15, usage on and after
	\$0.21171	Effective 2/1/15, usage on and after
	\$0.12733	Effective 3/1/15, usage on and after
	\$0.07642	Effective 4/1/15, usage on and after
Electricity Consumption Tax	\$0.00055	Effective 5/1/01, usage on and after

Dated: ~~December 2~~~~September 29~~, 2014  
~~Richard Leehr~~  
Effective: ~~November~~~~December~~ 1, 2014  
~~Leehr~~Daniel G. Saad

Issued by /s/Daniel G. Saad

Richard

Title: President

Authorized by ~~Order No. 25,669 Issued May 23, 2014 in Docket No. DE 14-086 and Order No. 25,719 Issued September 29, 2014 in Docket No. DE 14-031~~Order No. 25,738 Issued November 26, 2014 in Docket No. DE 13-063

RATES EFFECTIVE ~~DECEMBER 1, 2014~~  
FOR USAGE ON AND AFTER ~~DECEMBER 1, 2014~~

Rate	Blocks	Distribution Charge	Business Profits Tax	REP/VMP	Energy Service Adjustment	Net Distribution Charge	Transmission Charge	Stranded Cost Charge	Storm Recovery Adjustment Factor	System Benefits Charge	Electricity Consumption Tax	Total Delivery Service	Energy Service	Total Rate	
D	Customer Charge	\$ -11.67				-11.67						-11.67		\$ -11.67	
	1st 250 kWh	\$ -0.03064	0.00057	-(0.00030)	(0.00017)	-0.03074	-0.02116	-0.00080	0.00221	0.00330	0.00055	-0.05876	0.15487	\$ -0.21363	
	Excess kWh	\$ -0.04646	0.00057	-(0.00030)	(0.00017)	-0.04656	-0.02116	-0.00080	0.00221	0.00330	0.00055	-0.07458	0.15487	\$ -0.22945	
Off Peak Water Heating Use 16 Hour Control <sup>1</sup>	All kWh	\$ -0.02923	0.00057	-(0.00030)	(0.00017)	-0.02933	-0.02116	-0.00080	0.00221	0.00330	0.00055	-0.05735	0.15487	\$ -0.21222	
Off Peak Water Heating Use 6 Hour Control <sup>1</sup>	All kWh	\$ -0.03056	0.00057	-(0.00030)	(0.00017)	-0.03066	-0.02116	-0.00080	0.00221	0.00330	0.00055	-0.05868	0.15487	\$ -0.21355	
Farm <sup>1</sup>	All kWh	\$ -0.03855	0.00057	-(0.00030)	(0.00017)	-0.03865	-0.02116	-0.00080	0.00221	0.00330	0.00055	-0.06667	0.15487	\$ -0.22154	
D-10	Customer Charge	\$ -11.83				-11.83						-11.83		\$ -11.83	
	On Peak kWh	\$ -0.08824	0.00057	-(0.00030)	(0.00008)	-0.08843	-0.02458	-0.00080	0.00221	0.00330	0.00055	-0.11987	0.15487	\$ -0.27474	
	Off Peak kWh	\$ -(0.00011)	0.00057	-(0.00030)	(0.00008)	-0.00008	-0.02458	-0.00080	0.00221	0.00330	0.00055	-0.03152	0.15487	\$ -0.18639	
M	All kWh	\$ -(0.00060)	0.00057	-(0.00030)	NA	-(0.00033)	-0.01517	-0.00080	0.00221	0.00330	0.00055	-0.02170	0.15487	\$ -0.17657	
T	Customer Charge	\$ -11.80				-11.80						-11.80		\$ -11.80000	
	All kWh	\$ -0.03387	0.00057	-(0.00030)	(0.00007)	-0.03407	-0.02525	-0.00080	0.00221	0.00330	0.00055	-0.06618	0.15487	\$ -0.22105	
V	Minimum Charge	\$ -11.62				-11.62						-11.62		\$ -11.62	
	All kWh	\$ -0.03922	0.00057	-(0.00030)	(0.00009)	-0.03940	-0.02867	-0.00080	0.00221	0.00330	0.00055	-0.07493	0.15487	\$ -0.22980	
G-3	Customer Charge	\$ -11.58				-11.58						-11.58		\$ -11.58	
	All kWh	\$ -0.03829	0.00057	-(0.00030)	(0.00017)	-0.03839	-0.02108	-0.00080	0.00221	0.00330	0.00055	-0.06633	0.15487	\$ -0.22120	
	Customer Charge	\$ -53.48				-53.48						-53.48		\$ -53.48	
	Demand Charge	\$ -6.89				-6.89						-6.89		\$ -6.89	
G-2	All kWh	\$ -0.00028	0.00057	-(0.00030)	NA	-0.00055	-0.02147	-0.00081	0.00221	0.00330	0.00055	-0.02889		\$ -0.02889	
													Effective 11/1/2014, usage on or after	0.08453	\$ -0.11342
													Effective 12/1/2014, usage on or after	0.17502	\$ -0.20391
													Effective 1/1/2015, usage on or after	0.21900	\$ -0.24789
													Effective 2/1/2015, usage on or after	0.21171	\$ -0.24060
													Effective 3/1/2015, usage on or after	0.12733	\$ -0.15622
													Effective 4/1/2015, usage on or after	0.07642	\$ -0.10531
	Customer Charge	\$ -320.63				-320.63						-320.63		\$ -320.63	
	Demand Charge	\$ -6.84				-6.84						-6.84		\$ -6.84	
	On Peak kWh	\$ -0.00298	0.00057	-(0.00030)	NA	-0.00325	-0.01724	-0.00080	0.00221	0.00330	0.00055	-0.02735		\$ -0.02735	
													Effective 11/1/2014, usage on or after	0.08453	\$ -0.11188
													Effective 12/1/2014, usage on or after	0.17502	\$ -0.20237
													Effective 1/1/2015, usage on or after	0.21900	\$ -0.24635
													Effective 2/1/2015, usage on or after	0.21171	\$ -0.23906
													Effective 3/1/2015, usage on or after	0.12733	\$ -0.15468
													Effective 4/1/2015, usage on or after	0.07642	\$ -0.10377
G-1	Off Peak kWh	\$ -(0.00011)	0.00057	-(0.00030)	NA	-0.00016	-0.01724	-0.00080	0.00221	0.00330	0.00055	-0.02426		\$ -0.02426	
													Effective 11/1/2014, usage on or after	0.08453	\$ -0.10879
													Effective 12/1/2014, usage on or after	0.17502	\$ -0.19928
													Effective 1/1/2015, usage on or after	0.21900	\$ -0.24326
													Effective 2/1/2015, usage on or after	0.21171	\$ -0.23597
													Effective 3/1/2015, usage on or after	0.12733	\$ -0.15159
													Effective 4/1/2015, usage on or after	0.07642	\$ -0.10068

<sup>1</sup> Rate is a subset of Domestic Rate D

Dated: December 2, 2014  
Effective: December 1, 2014

Issued by: /s/Daniel G. Saad  
Daniel G. Saad  
Title: President

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

**List of Rate Changes**

**Base  
Distribution  
Rate Changes**

<u>Order No.</u>	<u>Date</u>	<u>Docket</u>	<u>Description of Rates Adjusted</u>	<u>Effective Date of Rate Change</u>
25,738	November 26, 2014	DE 13-063	Settlement approving decrease to distribution rates based on Commission Staff audit	December 1, 2014
25,785	April 30, 2015	DE 15-087	Order approving Reliability Enhancement and Vegetation Management Plan Results and Reconciliation for calendar year 2014	May 1, 2015

**Non-base  
Distribution  
Rate Changes**

<u>Order No.</u>	<u>Date</u>	<u>Docket</u>	<u>Description of Rates Adjusted</u>	<u>Effective Date of Rate Change</u>
25,585	October 21, 2013	DE 13-196	Order approving request to increase Liberty's storm recovery adjustment factor	November 1, 2014
25,719	September 29, 2014	DE 14-031	Order approving request to change energy service rates for Large Commercial/Industrial and Small Commercial/Residential customers	November 1, 2014
25,745	December 30, 2014	DE 14-340	Order approving the Annual Retail Rate Adjustment for Transmission and Stranded Cost charges	May 1, 2015
25,770	March 30, 2015	DE 15-010	Order approving request to change energy service rates for Large Commercial/Industrial and Small Commercial/Residential customers	May 1, 2015

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 13-063**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.**

**Order Approving Settlement Agreement**

**ORDER NO. 25,738**

**November 26, 2014**

**APPEARANCES:** Sarah B. Knowlton, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp.; the Office of Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves a Settlement Agreement that decreases Liberty's distribution rates based on Staff's audit. As a result of this order, a residential customer using 679 kilowatt hours per month, the average residential customer use, will experience a monthly bill decrease of \$1.05 for the period from December 1, 2014, through April 30, 2015.

**I. PROCEDURAL HISTORY**

On March 17, 2014, the Commission issued Order No. 25,638 approving a settlement agreement in the 2013 Liberty Utilities (Granite State Electric) Corp. (Liberty or Company) distribution rate case. The settlement agreement was signed by Liberty, the Office of Consumer Advocate (OCA), and Commission Staff (Staff). The Order granted among other things (1) a permanent increase of approximately \$9.76 million to Liberty's distribution revenues, and (2) the Company's request for an estimated \$1.115 million step increase constituting the revenue requirements associated with an anticipated \$7,462,500 capital investment in service as of December 31, 2013. Both the permanent rate increase and the step increase took effect with rates for services delivered on and after April 1, 2014, pursuant to the settlement agreement. In addition, the Order approved the Company's request to recover no more than \$390,000 in rate

case expense over a 2-year period. The step increase and recovery of rate case expense were conditioned on an audit by Staff.

On July 29, 2014, Staff filed a memorandum regarding Staff's Audit of the step increase and rate case expense. The final audit report stated that Liberty's actual rate case expense was \$318,944. With respect to the step increase, Staff's audit verified \$5.9 million in plant in service as of the end of December 2013, but noted that only \$677,827 of that investment was allocated to the correct Federal Energy Regulatory Commission (FERC) account, and most of the capital investment was instead posted to the FERC account representing construction work in progress. Staff's memorandum stated that there should be a reduction to Liberty's distribution revenues as a result of Staff's audit.

Liberty filed a response to Staff's memorandum and requested a hearing on the proposed reduction to revenues. The OCA also recommended that the Commission hold a hearing on the issue.

Staff issued a supplemental audit on September 25, 2014. In that report, Audit Staff revised the total plant costs to \$5,896,598 after certain adjustments. From that total, the Company removed costs related to a portion of a project that was not included in the original request for a step adjustment contemplated by the distribution rate case settlement agreement. After removing those amounts, Liberty proposed recovery of revenue requirements associated with the addition of \$4,803,459 in plant in service as of December 31, 2013.

Following discovery and discussions among the parties, Staff filed a Settlement Agreement on October 30, 2014, signed by Liberty, the OCA, and Staff. The Commission held a hearing on the Settlement Agreement on November 6, 2014.

## **II. SETTLEMENT AGREEMENT**

With respect to the step increase, the parties agreed to a reduction in the Company's revenue requirement from the estimated \$1,115,000, which was based on \$7,462,500 in additional capital investment, to \$719,224, the revenue requirement associated with \$4,803,459, the verified amount of capital investment in service as of December 31, 2013. The parties also agreed that the Company should only be allowed to recover the actual rate case expense of \$318,944 instead of the estimated expense of \$390,000, and that the Commission should authorize a temporary reduction attributable to the over-recovery. Under to the Settlement Agreement, Liberty would refund the over-collection of both the step increase and the rate case expense to customers through a reduction in rates for the period of December 1, 2014, through April 30, 2015. The effect on rates for a residential customer using 679 kWh per month, the average use by the Company's residential customers, would be a decrease of \$1.05 per month from \$164.50 to \$163.45.

## **III. POSITIONS OF THE PARTIES AND STAFF**

### **A. Liberty**

Liberty stated that it supported the Settlement Agreement. The Company apologized for the accounting error and the resulting time required by Staff, the OCA, and the Commission to correct the matter. Liberty stated that it recognized the importance of proper FERC accounting.

Liberty explained that the problem regarding the FERC accounts identified in the Staff audit resulted primarily from timing issues. According to the FERC Chart of Accounts, projects under construction are recorded in Account 107, Construction Work in Progress. These amounts are moved into another account, Account 106, Completed Construction Not Classified, once construction is complete. When all final invoices are received, the amounts in Account 106 are

moved into Account 101, FERC Plant Accounts. Hearing Transcript November 6, 2014 (Tr. 11/6/2014) at 10-11.

According to Liberty, when it acquired Granite State Electric from National Grid, Account 106 was cleared to facilitate the transfer. Consequently, at the time Liberty established its book of accounts, no amounts were recorded in Account 106. When Liberty set up its computer system, all projects in Account 107, Construction Work in Progress, were transferred directly to Account 101, bypassing Account 106. Liberty testified that the projects in Account 101 were actually placed in service, but the Company never made the proper entries. *Id.* at 11-12. Liberty stated that in July 2014, procedures were put in place so that as soon as a project is placed in service, it is moved from Account 107, Construction Work in Progress, to Account 106, Completed Construction not Classified. The Company said that this correction along with ongoing review of the FERC accounts should avoid such problems in the future.

**B. OCA**

The OCA said that it supports the Settlement Agreement but emphasized that the improper accounting mistake should not have happened.

**C. Staff**

Staff stated that it had participated in the settlement discussions and supports the Settlement Agreement. Staff also commented on the accounting errors and recommended that the Company continue to scrutinize accounting matters to avoid mistakes.

#### IV. COMMISSION ANALYSIS

Pursuant to RSA 541-A:31, V(a), informal disposition may be made of any contested case at any time prior to the entry of a final decision or order by stipulation, agreed settlement, consent order or default. N.H. Code Admin. Rules Puc 203.20(b) requires the Commission to determine, prior to approving disposition of a contested case by settlement, that the settlement results are just and reasonable and serve the public interest. We have reviewed this Settlement Agreement and find that it is consistent with the public interest, because it properly implements the rate case agreement we approved in Order No. 25,638 (March 17, 2014) at 16-17. The Settlement Agreement results in a decrease in rates for Liberty's customers and we find that the resulting rates are just and reasonable as required by RSA 378:7. Based on the foregoing, we approve the Settlement Agreement.

We are nonetheless concerned about Liberty's failure to properly record entries regarding plant investment the various FERC accounts. We remind Liberty of its accounting obligations and we direct Staff to keep us informed of any issues related to improper accounting by the Company.

**Based upon the foregoing, it is hereby**

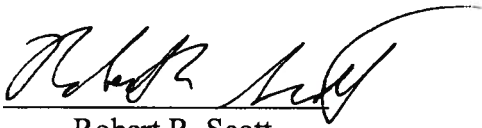
**ORDERED**, that the terms of the Settlement Agreement filed on October 30, 2014, and signed by Liberty, the OCA and Staff, regarding the results of Staff's audit as well as the resulting rates are hereby APPROVED; and it is

**FURTHER ORDERED**, that Pursuant to the Settlement Agreement, Liberty shall rebate the over-collections related to its step adjustment and rate expense beginning with rates effective December 1, 2014; and it is



**FURTHER ORDERED**, that Liberty shall file a tariff conforming to this order pursuant to New Hampshire Code Admin. Rules Puc 1600.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of November, 2014.

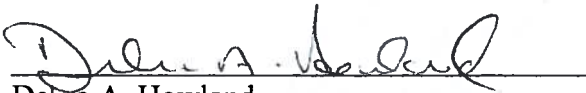


Robert R. Scott  
Commissioner



Martin P. Honigberg  
Commissioner

Attested by:



Debra A. Howland  
Executive Director

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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tom.frantz@puc.nh.gov  
william.sherry@libertyutilities.com

Docket #: 13-063-1 Printed: November 26, 2014

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND  
EXEC DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 13-196**

**GRANITE STATE ELECTRIC COMPANY D/B/A LIBERTY UTILITIES**

**Request for Adjustment to the Storm Recovery Adjustment Factor**

**Order Approving Settlement Agreement**

**ORDER NO. 25,585**

**October 21, 2013**

**APPEARANCES:** Devine, Millimet & Branch P.A. by Harry N. Malone, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; the Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

**I. PROCEDURAL HISTORY**

On July 17, 2013, Granite State Electric Company d/b/a Liberty Utilities (Liberty or Company) filed testimony with related schedules and exhibits and a proposed tariff page in support of a request to increase Liberty's storm recovery adjustment factor (SRAF). The filing was made pursuant to the terms of a settlement agreement on temporary rates approved by the Commission in Order No. 25,521 (June 27, 2013) in Docket DE 13-063, Liberty's 2013 distribution rate case. In its petition for a distribution rate increase, Liberty requested a number of changes to the storm fund, including a request to increase the SRAF. In the settlement agreement, the settling parties acknowledged that Liberty had the right to seek an increase to the SRAF outside of the distribution rate case in a separate proceeding. The settling parties also agreed that any SRAF approved by the Commission as a result of that proceeding would be effective November 1, 2013. In its filing, Liberty requested that the increase in the SRAF be approved for effect with services rendered on or after November 1, 2013.

The Commission issued Order No. 25,553 on July 25, 2013 suspending the tariff and scheduling a hearing for September 25, 2013. On July 28, 2013, the Office of Consumer Advocate (OCA) filed a letter of participation in the docket pursuant to RSA 363:28.

Staff filed a Stipulation and Settlement Agreement on behalf of itself and Liberty on September 23, 2013. The merits hearing was held as scheduled on September 25, 2013. On that same date and subsequent to the hearing, Staff filed a letter correcting the hearing record.

## **II. INITIAL FILING OF LIBERTY**

In prefiled testimony, the Company explained that the SRAF is a per kilowatt-hour (kWh) charge that the Commission approved to allow Liberty to recover the costs of restoring power and repairing damage to its electrical system caused by major storms. For purposes of the storm fund, a major storm is defined as a severe weather event or events causing 30 concurrent troubles and 15% of customers interrupted, or 45 concurrent troubles. Troubles are defined as interruption events occurring on either primary or secondary lines.

The filing indicated that as of the end of April 2013, the deficit in the storm fund was \$6.1 million. Liberty stated that the deficit resulted from the Company's costs to restore power and repair damage to its electrical system related to three major storms, namely Hurricane Irene (August 2011), the October 2011 Snowstorm, and Hurricane Sandy (October 2012). Liberty attested that all three storms qualified as major storms based on the number of troubles and customer interruptions and therefore the costs associated with these storms qualify for reimbursement from the storm fund. Liberty estimated that the costs incurred in connection with the three storms was approximately \$4.0 million.

Liberty testified that it currently recovers \$120,000 annually from base distribution rates in addition to the currently effective SRAF of 0.223 cents per kWh approved by the Commission

in Order No.25,310 (December 29, 2011). Liberty requested authority to recover an additional \$2.2 million through the SRAF over a 17-month period beginning November 1, 2013 to eliminate the storm fund deficit. If its request were granted, Liberty calculated that the SRAF would increase from 0.223 cents per kWh to 0.388 cents per kWh. For residential customers using 676 kWh per month, the average use by residential customers taking default service from Liberty for the 12-month period ending April 2013, the total bill impact would be an increase of 1.1% from \$97.21 to \$98.32. Other customers would experience increases ranging from 1.1% to 1.6%.

### **III. STIPULATION AND SETTLEMENT AGREEMENT**

In the Stipulation and Settlement Agreement (Settlement Agreement), Staff and Liberty (Settling Parties) agreed that Liberty should be authorized to increase the SRAF from 0.223 cents per kWh to 0.329 cents per kWh effective November 1, 2013 through October 31, 2014.

Pursuant to the Settlement Agreement, effective November 1, 2014, the SRAF would be reduced to 0.221 cents per kWh and remain at that level until October 31, 2015.

Staff and Liberty agreed that the stipulated SRAF rates are expected to recover approximately \$5.07 million, the amount of storm fund deficit expected to be outstanding as of November 1, 2013. The Settling Parties further agreed that the SRAF rates established in the Settlement Agreement are not intended to recover costs associated with any major storms that may occur between November 1, 2013 and October 31, 2015. According to settlement terms, the Settling Parties will meet prior to October 31, 2015 to determine the disposition of any remaining balance in the storm fund account, positive or negative, that exists as of October 31, 2015.

The Settling Parties further acknowledged that the Settlement Agreement does not represent an agreement on the prudence of costs incurred by Liberty associated with Hurricane

Irene, the October 2011 Snowstorm and Hurricane Sandy, nor any potential adjustments to the recovery of those costs resulting from the Staff audits. The Settlement Agreement also stated that while Commission Staff had completed its audit of the costs expended by the Company to restore power and repair damage after Hurricane Sandy, the costs associated with Hurricane Irene and the October 2011 Snowstorm had not been audited as of the signing of the Settlement Agreement.

#### **IV. POSITIONS OF THE PARTIES ON SETTLEMENT AGREEMENT**

##### **A. Liberty**

Liberty stated that it supported the Settlement Agreement. Liberty said that the Settlement Agreement balances two objectives—relatively prompt recovery by the Company of costs it already incurred, and minimizing the impacts on customers' bill amounts. According to Liberty, if the Settlement Agreement is approved, the monthly bill for an average residential customer would increase about 72.0 cents, from \$97.21 per month to \$97.93 per month, or an increase of 0.6%, effective November 1, 2013. On November 1, 2014, when the SRAF would decrease, an average residential customer would experience a monthly bill reduction of about 73.0 cents, a decrease of about 0.6% in total monthly bills. Liberty explained that by "average residential customer," it was referring to a customer using 676 kWh per month, the average use for residential customers over the 12-month period ending April 2013. Liberty also confirmed that the expected negative balance in the storm fund effective October 31, 2013 is approximately \$5.07 million.

Liberty concluded by requesting that the Commission approve the Settlement Agreement.

### **B. Office of Consumer Advocate**

The OCA stated that it did not support the Settlement Agreement. According to the OCA, without an audit of costs incurred in connection with storm recovery, it is impossible to determine whether the Company's practices were effective or prudent at the time or whether they could be improved in the future. The OCA argued that if National Grid is not providing sufficient data to Liberty to allow the audits to commence for Tropical Storm Irene and the October Snowstorm, National Grid should have escrow money withheld.

The OCA stated that it was concerned about the lack of transparency with respect to the Settlement Agreement. The OCA further stated that it heard of the Staff audit results for Hurricane Sandy for the first time from testimony at hearing and that the OCA did not have access to the Staff audit results.

### **C. Staff**

Staff addressed the OCA's concern about allowing the Company to begin recovery of storm-related costs prior to the completion of the Staff audit of those costs. Staff explained that the Commission allowed utilities to commence recovery of costs associated major storms before the completion of the Staff audit in other proceedings similar to the instant petition. According to Staff, such audits have resulted in very little disallowance of costs, and that any recovery of storm related costs are reconciled to reflect any diallowances resulting from those audits.

Staff stated that it participated in the development of the Settlement Agreement and opined that the Settlement Agreement appropriately balances the interests of the ratepayers, by affording them a less severe increase than proposed in the filing, with the interests of the Company in commencing recovery of the storm restoration costs incurred. Staff concluded by stating that the Settlement Agreement is in the public interest and recommended that the

Commission approve it. Staff further recommended that the order specifically state that any amounts to be recovered by the Company reflect the final audits by Staff and any adjustments resulting from such audits.

Following the hearing, Staff filed a letter to correct the record regarding the OCA's claim that it had not received the Staff audit report for Hurricane Sandy. In that letter, Staff provided a copy of an email that demonstrated that the Consumer Advocate received an electronic copy of the audit on September 6, 2013, in the same email that conveyed a copy of the report to Staff.

## **V. COMMISSION ANALYSIS**

N.H. Code of Admin. Rules Puc 203.20(b) provides that the Commission shall approve the disposition of any contested case by settlement "if it determines that the result is just and reasonable and serves the public interest." *See also* RSA 541-A:31, V(a). Nonetheless, even where all parties in a proceeding enter into a settlement agreement, the Commission cannot approve it "without independently determining that the result comports with applicable standards." *Unitil Energy System, Inc.* Order No. 24,677, 91 NH PUC 416, 425-426 (2006) (citation omitted).

We have reviewed the Settlement Agreement and the testimony of Liberty and Staff. We find that the Settlement Agreement appropriately balances the interests of the Company in recovering costs incurred in connection with major storms while mitigating the rate impact on customers. Based on the foregoing, we find that the Settlement Agreement is in the public interest, and that the resulting rates are just and reasonable pursuant to RSA 378:5 and 378:7 and are generally consistent with the principles of restructuring pursuant to RSA 374-F. Therefore, we approve the Settlement Agreement and the adjustments to the SRAF contained therein. In so doing, we direct that recovery of the storm related costs for Hurricane Irene, the October 2011



Snowstorm, and Hurricane Sandy be reconciled to any adjustments arising from Staff's audit of those storms. In addition, we will require Liberty to continue to file annual reports on April 1 of each year regarding the status of its storm fund.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the Stipulation and Settlement Agreement between Granite State Electric Company d/b/a Liberty Utilities and Commission Staff is hereby APPROVED; and it is

**FURTHER ORDERED**, that Granite State Electric Company d/b/a Liberty Utilities is authorized to increase the SRAF from 0.223 cents per kWh to 0.329 cents per kWh effective with service rendered on and after November 1, 2013, to be adjusted to 0.221 cents per kWh effective November 1, 2014 and consistent with the terms of the Settlement Agreement; and it is


**FURTHER ORDERED**, that all recovery of costs associated with Tropical Storm Irene, the October Snowstorm and Hurricane Sandy be reconciled to the final results of Staff's audits of those costs; and it is

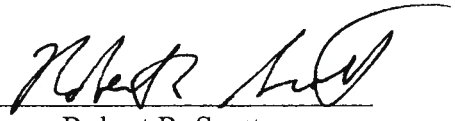
**FURTHER ORDERED**, that Granite State Electric Company d/b/a Liberty Utilities shall continue to file an annual report on the status of the Storm Fund by April 1 of each year; and it is

**FURTHER ORDERED**, that Granite State Electric Company d/b/a Liberty Utilities shall file tariffs conforming with this Order within 15 days of the date of this order.

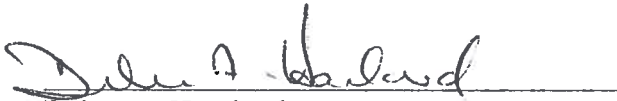
By order of the Public Utilities Commission of New Hampshire this twenty-first day of  
October, 2013.

  
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Amy I. Ignatius  
Chairman

  
\_\_\_\_\_  
Michael D. Harrington  
Commissioner

  
\_\_\_\_\_  
Robert R. Scott  
Commissioner

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 14-031**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a  
LIBERTY UTILITIES**

**Petition for Approval of Default Service Solicitation, Bid Evaluation and Resulting Rates  
for the Six-Month Period November 1, 2014 through April 30, 2015**

**Order Approving Solicitation and Resulting Default Service Rates**

**ORDER NO. 25,719**

**September 29, 2014**

**APPEARANCES:** Sarah B. Knowlton, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission finds that Liberty's most recent market solicitation for default service power for its Large and Small Customer Group for the Period beginning November 1, 2014 was conducted in accordance with Commission Orders. So finding, the Commission authorizes Liberty to recover the costs of the power supply through rates effective with service rendered on and after November 1, 2014. Liberty's customers will experience bill increases of 39%-59% depending on customer class and usage. The Order recognizes that power supply costs in the competitive market are high for the winter period and that these rates constitute significant increases for customers. The Commission encourages customers to evaluate all measures to reduce electricity consumption and to consider whether competitive suppliers may offer a cost effective alternative to default service.

## I. PROCEDURAL HISTORY

On September 22, 2014, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or Company) filed a petition requesting approval of its solicitation and procurement of default service for 100% of its supply requirements for the period from November 1, 2014, through April 30, 2015, for its medium and large commercial and industrial customers (Large Customer Group)<sup>1</sup> and residential and small commercial customers (Small Customer Group).<sup>2</sup> The filing was made pursuant to a Settlement Agreement approved by the Commission in *Granite State Electric Company Petition for Approval of Post-Transition Default Service Proposal*, Order No. 25,577 (January 13, 2006), *as modified by* Order No. 24,922 (December 19, 2008) and Order No. 25,601 (November 27, 2013) (Settlement Agreement).

Pursuant to the Settlement Agreement, beginning in February 2014, Liberty solicits default service supply for 100% of its Large Customer Group requirements in two separate three-month blocks of power supply, and develops rates based on the winning bid contract prices. The resulting rates are monthly prices that can vary from month to month. For its Small Customer Group, Liberty solicits a six-month block of power for 100% of supply requirements, and sets a fixed rate for the period.

In support of its petition, Liberty filed the testimony of John D. Warshaw and David B. Simek with related exhibits and attachments. Mr. Warshaw is employed as Manager, Electric Supply, by Liberty Energy Utilities (New Hampshire) Corp. (Liberty Energy N.H.), which

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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.

provides services to Liberty. Mr. Simek is employed as a Utility Analyst by Liberty Energy N.H. With its filing, Liberty also proposed an adjustment to the Renewable Portfolio Standard (RPS) adder used to procure renewable energy credits for compliance with New Hampshire's RPS law. Liberty's filing included its quarterly report on customer migration to competitive energy suppliers, and its final report regarding loss factor issues related to borderline sales to Massachusetts Electric Company (MECo), including a settlement agreement with MECo related to payments owed to Liberty.

Liberty selected NextEra Energy Power Marketing LLC (NextEra) to provide default service for the Large Customer Group for the three-month period November 2014 through January 2015, and the three-month period from February 2015 through April 2015. The Company selected Energy America LLC (EA) to provide default service to the Small Customer Group for the November 2014 through April 2015 six-month period. As a result of the bid solicitation and selection process, the overall bill impact for residential customers using 665 kilowatt hours (kWh) per month (the average usage for Liberty's residential customers for the 12-month period ending August 2014) is an increase of \$51.57 or 46.7% from \$110.48 per month to \$162.05 per month. For other customers in the Small Customer Group, monthly bill impacts will be increases ranging from 38.9% to 53.4%. Liberty prepared illustrative load-weighted bill impacts for customers in the Large Customer Group. Liberty said that impacts for customers in the Large Customer Group for the six-month period ending April 2015 will be monthly bill increases ranging from 45.6% to 59.1% as compared with the six-month period ending October 2014.

With its petition, Liberty filed confidential information including the Company's transaction confirmations and master power agreements with the winning suppliers, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested confidential treatment of these materials pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), Puc 201.06(a), and Puc 201.07. With respect to the wholesale purchase prices included in the filing, the Company requested confidential treatment only until such time as the Federal Energy Regulatory Commission (FERC) requires those prices to be made public.

Liberty also submitted its final report on the loss factor investigation, including the status of the settlement with MECo regarding the borderline sales issue. Liberty said that the Company received all payments from MECo under its settlement with Liberty totaling \$848,890. Liberty testified that it would credit customers with \$723,890 in its next reconciliation filing which represents the transmission and commodity costs Liberty incurred to serve MECo's customers. The remaining \$125,000 will be retained by Liberty as distribution revenue that Liberty should have received from MECO.<sup>3</sup> Liberty stated that this represents the final report, and that the corrective action it had previously identified to the Commission had been taken. Liberty requested that the Commission close the investigation into the loss factor study. Liberty said that the only remaining issue regarding the boundary with MECo involved one residential customer who owned a home physically located in New Hampshire but whose electric service was delivered by MECo. Liberty agreed to keep the Commission informed of any developments regarding the resolution of this issue.

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<sup>3</sup> The Commission approved this allocation as part of the settlement agreement in Docket No. DE 13-063, Liberty's most recent distribution rate case.

The Office of Consumer Advocate (OCA) previously filed a letter of participation in this docket on February 19, 2014. The Commission issued a secretarial letter on September 22, 2014, scheduling a hearing on September 24, 2014. The Commission granted the Company's request for confidential treatment at hearing. The Commission also took administrative notice of certain decisions of the Maine Public Utilities Commission (Maine PUC) in Maine Docket 2006-513; Liberty, Staff and the OCA filed comments on those decisions on September 25, 2014.

## **II. POSITIONS OF THE PARTIES**

### **A. Liberty**

Liberty testified that it conducted the solicitation process consistent with the terms of the Settlement Agreement. The Company issued the request for proposals (RFP) on August 15, 2014. The RFP solicited fixed pricing for each month of service on an as-delivered basis and allowed prices to vary by month. The Company claimed the RFP was also conducted in a manner consistent with RSA 378:41 and conformed to least cost planning principles by procuring power through a competitive process. According to Liberty, the RFP was issued to approximately 25 potential suppliers. The RFP was also distributed to all members of the New England Power Pool Markets Committee and posted on Liberty's energy supply website. In addition, the Company distributed the RFP widely in the New England energy supply marketplace.

Pursuant to the requirements of the RFP, suppliers offered indicative bids on September 9, 2014, and final bids on September 16, 2014. Liberty testified that it evaluated the bids and selected NextEra and EA because their bids conformed to the RFP, had the lowest

prices, met the credit requirements described in the RFP, and passed Liberty's qualitative evaluation. Liberty attested that it complied with the Settlement Agreement in its solicitation and evaluation of bids and in its selection of winning suppliers.

On September 16, 2014, Liberty entered into a wholesale transaction confirmation with NextEra for the two three-month blocks of power supply for the Large Customer Group, and with EA for the six-month power supply for the Small Customer Group. According to the Company, a copy of the NextEra master power agreement was filed with the Commission on September 17, 2007 in DE 07-012 (Granite State's 2007 default service docket). The master power agreement between Liberty and EA is included in the confidential material in the instant filing.

Liberty stated that the RPS law requires the Company to obtain 9.7% of its retail energy load with renewable energy in 2014, and 15.8% of its retail energy load with renewable energy in 2015. Liberty meets RPS compliance obligations by purchasing Renewable Energy Certificates (RECs), one certificate representing 1 megawatt-hour of power. Pursuant to Commission Order No. 24,953 (March 23, 2009), Liberty requested bidders for default service supply to also provide a separate RPS compliance adder with their bids. The RPS compliance adder is the incremental charge to be paid to the bidder for the bidder's agreement to take on the RPS obligation associated with the default service obligation. While two of the bidders for default service also submitted a bid for the RPS adder, Liberty said that the Company evaluated the bidders' responses and determined that the proposed adders exceeded Liberty's calculation of the market price for RECs. Therefore, Liberty did not accept any of the proposals offered by bidders for default service supply and will instead procure RECs on its own.



In the instant filing, Liberty proposes to change the current uniform RPS adder of 0.434 cents per kWh based on its analysis of current market prices for RECs, the results of its recent RFP, and the increase in RPS obligations for 2015. For the Small Customer Group, the RPS adder would increase from 0.434 cents per kWh to 0.535 cents per kWh for the six-month period beginning November 1, 2014. For the Large Customer Group, the Company proposes an RPS adder of 0.398 cents per kWh for November and December 2014, a decrease from the current adder of 0.434 cents per kWh, and an adder of 0.595 cents per kWh for the months of January through April 2015. Liberty stated that it plans to issue another RFP for RECs in February 2015, and that if it is unable to secure a sufficient number of RECs to meet its RPS obligations, the Company will make alternative compliance payments into the renewable energy fund established under the RPS law.

In addition to the RPS adder, Liberty proposes a new Regional Greenhouse Gas Initiative (RGGI) auction excess revenue adjustment factor credit (RGGI credit) of 0.0260 cents per kWh for the period beginning November 1, 2014. The credit represents the final refund of 2013 RGGI auction proceeds to customers. Prior to January 1, 2014, all eligible excess RGGI auction proceeds were rebated to default service customers; that is, customers who had not elected to obtain power from competitive energy suppliers. Beginning with 2014 auction proceeds, excess money is rebated to all customers of distribution utilities. Effective January 1, 2015, the Company will include all 2014 RGGI excess auction revenues plus associated carrying charges through its annual retail rate reconciliation, which is applicable to all customers.

For both the Small Customer Group and Large Customer Group, Liberty calculated the base default service rate by multiplying the commodity cost at the wholesale level (\$ per

megawatt-hour) by the applicable loss factor and then dividing the results by ten. Liberty's filing states that the base energy service rate for the Small Customer Group for the period beginning November 1, 2014, is 15.057 cents per kWh compared with the current load weighted average of 8.379 cents per kWh, an increase of 79.7%. After adjustments for reconciliation and reclassification<sup>4</sup> and the adder for RPS compliance, adjusted for the RGGI credit, the proposed default service rate for the Small Customer Group for the six-month period beginning November 1, 2014, is 15.487 cents per kWh. For residential customers with monthly usage of 665 kWh, the average monthly usage for the 12-month period ending August 2014, customer bills will increase by \$51.57 or 46.7% from \$110.48 to \$162.05 per month. For other customers in the Small Customer Group, monthly bills will increase from 38.9% to 53.4%.

The load-weighted average of the commodity cost at retail for the Large Customer Group is provided below and identified as the "base energy service rate." The calculation of energy service rates for both the Large and Small Customer Groups, adjusted for the reconciliation and reclassification, the RPS adder, and the RGGI credit, are depicted in the table below.

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<sup>4</sup> Commission Order No. 24,577 (Jan. 13, 2006) approved the Settlement Agreement which authorized Liberty to use these factors in adjusting rates to reflect actual costs of providing default service.

	Residential and Small C&I	Medium & Large C&I					
	November 2014 - April 2015	November	December	January	February	March	April
Base Energy Service Rate	15.057 ¢	8.182 ¢	17.231 ¢	21.432 ¢	20.703 ¢	12.265 ¢	7.174 ¢
2014 Energy Service Adjustment Factor	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢	(0.123) ¢
Energy Service Cost Reclassification Adjustment Factor	0.044 ¢	0.022 ¢	0.022 ¢	0.022 ¢	0.022 ¢	0.022 ¢	0.022 ¢
Renewable Portfolio Standard (“RPS”) Adder	0.535 ¢	0.398 ¢	0.398 ¢	0.595 ¢	0.595 ¢	0.595 ¢	0.595 ¢
RGGI Auction Excess Revenue Adjustment Factor	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢	(0.026) ¢
Total Energy Service Rate	15.487 ¢	8.453 ¢	17.502 ¢	21.900 ¢	21.171 ¢	12.733 ¢	7.642 ¢

Liberty attributed the increase in rates to the fact that the New England generation mix has become dominated by natural gas fired electric generation. Due to the colder than normal temperatures experienced in the 2013-2014 winter, there was a significant increase in the demand for natural gas to meet customers’ needs by gas distribution companies and for electric generation. As a result, there was a shortage of natural gas for electric generation and the costs for electric generation reflected the use of alternative, more expensive resources to meet the need. The current high prices for electric futures and resulting bid prices reflect the industry’s expectations regarding the cost of natural gas and other resources to meet this winter’s expected requirements and are higher as compared to this time last year. The Company also testified that the FERC has approved the winter reliability program administered by the Independent System

Operator-New England (ISO-NE). According to the Company, the winter reliability program adds costs for power procured during the months of December 2014 and January and February 2015, which are reflected in the resulting rates.

The Company said that it recognizes the hardship these rates impose on customers. It plans to issue a press release, update the Liberty web page and Facebook page with the proposed rates, and include a newsletter in customer bills in November that alerts customers to the increase, explains steps that customers can take to conserve electric usage, and identifies resources available to those customers who may face difficulties paying their bills.

In response to an OCA proposal to require a new round of competitive bidding for a one- to two-year period of supply, Liberty testified that based on experience, a new RFP would result in substantially higher prices. Liberty also expressed concern that wholesale suppliers of power would hesitate to offer bids because the supply would incorporate too much risk. Liberty noted that residential customers are free to switch to competitive supply to obtain a fixed price energy supply contract for a longer period, which may be at a lower price. Regarding the OCA's proposal to "spread out" the recovery of costs over a longer period, the Company stated that customers could pay lower rates over the winter period and then leave Liberty for competitive supply, leaving any remaining costs deferred from the winter period to be recovered through higher-than-market rates from customers who did not migrate to competitive suppliers. Liberty stated that such a result would unfairly burden customers who chose to stay with Liberty for energy service. Liberty attested that the RFP resulted in a sufficient number of bids to support the conclusion that the power costs result from a competitive bid process and that the resulting rates are consistent with the market price for power and requested that the Commission reject the

OCA's proposal and approve its filing by September 29, 2014, for effect with rates for services rendered on and after November 1, 2014.

In its written submission regarding the Maine PUC decisions referenced by the OCA and noticed by the Commission, Liberty stated that those decisions could be distinguished from the instant docket and had no bearing on the options available for the Company to procure default service for its customers.

#### **B. OCA**

The OCA expressed concern about the effect of the rate increase for residential customers which, for customers with average usage, would total approximately \$300.00 for the six-month period. The OCA stated that it was not convinced that, in the event the Commission directed Liberty to issue a new RFP for power, the resulting rates would necessarily be higher, especially if the RFP solicited power for a longer period of time. The OCA recommended that the Commission reject the Company's filing and require Liberty to do one of three things to reduce rate shock for customers: renegotiate power supply costs with the winning suppliers; issue a new RFP to see if new bids would result in lower costs, or issue the RFP for a 1-year or 2-year period of supply instead of a 6-month period; or spread out the recovery of costs over a longer period of time.

In its written submission regarding the Maine PUC decisions, the OCA repeated its assertion that ordering Liberty to issue new RFPs would not necessarily result in higher prices. The OCA also reiterated that the time-period for the power supply period to be covered by the RFP could be extended to 12 or 24 months.

### **C. Commission Staff**

Staff said that Liberty solicited power, evaluated bids, and selected a supplier consistent with the Settlement Agreement approved by the Commission. Regarding the resulting rates, Staff said that although the rates are high, they are a result of a competitive procurement and are market-based. Staff reminded the Commission that customers can take advantage of offers from the competitive market to obtain the best service and rates for their needs.

Addressing the OCA proposal, Staff stated that there is no evidence that a second solicitation would produce lower rates and that the rates developed through competitive bidding, though high, were entirely consistent with its own market analyses. Staff said it supported the Company's increased RPS adder and its application of the 2013 RGGI auction proceeds to reduce customer rates. In addition, Staff said it supported the discontinuance of the requirement that Liberty file a loss factor report, but requested that the Company keep Staff informed of any changes in the situation regarding the residential customer who resides in New Hampshire but receives service from MECo.

### **III. COMMISSION ANALYSIS**

Based on the record in this proceeding, we find that Liberty complied with the procedures approved in Order No. 24,577 regarding its solicitation and analysis of the bids, and its selection of the winning bidders for default service supply for its Small and Large Customer Groups for the six-month period beginning November 1, 2014. We are satisfied that Liberty took appropriate steps to solicit multiple potential suppliers in order to receive competitive bid responses and, consequently, that the results are consistent with the requirement of RSA 374-F:3, V(c) that default service be procured through the competitive market. We also find

that the Company conducted its energy service RFP in a manner that complies with the least cost planning principles of RSA 378:41.

Although the resulting bids and contract prices are a product of a solid market response to Liberty's RFP and reflect wholesale market conditions, we know that the increases will impose a burden on the budgets of residential and business customers. The OCA attempted to craft a solution to the problem by asking us to reject these bids and direct Liberty to reissue RFPs for power or renegotiate with the winning bidder for price. Neither of these proposals, however, is workable. First, we have no evidence that requiring Liberty to reissue the RFP or renegotiate the price would result in any reduction in customer rates. In fact, the evidence in the record is to the contrary. We note, for example, that Mr. Warshaw reviewed Exhibit 7, which depicts a forecast of power costs as of September 22, 2014, and found that prices in that forecast had gone up even higher than those in the earlier forecast that he used to evaluate the bids. He testified that there were no circumstances he could foresee in the next week or two that would reduce supplier bids. He also testified that bidders consider the risk of a Commission rejecting market-based rates to be very low and that, if we were to reject the results of the instant RFP, few bidders would participate in this market in the future, and those that did would increase their bids to reflect the greater risk. Based on that evidence, we conclude that there is very little likelihood that a rebid or renegotiation of price would result in a reduction of rates for customers.

Second, even if we had evidence to believe a new RFP would lead to lower rates, we are procedurally blocked from requiring a new bid in time for November 1 supply. Liberty obtains power for its default service customers through a process established by the Settlement Agreement approved by the Commission. If we were to change the process set forth in the

Settlement Agreement, RSA 365:28 requires that we do so only after notice and hearing.

Because Liberty's next default service period begins November 1, 2014, there is not sufficient time to revisit the requirements of the Settlement Agreement.

The OCA proposal also fails to recognize that Liberty experienced a competitive response to its RFP. When Liberty issued its RFP related to the March filing for default service, Liberty informed the Commission that it was concerned about the relatively low number of bidders in recent solicitations throughout the region and thus developed a contingent plan in the event that no bids were received for the November 1 solicitation. *See* Docket No. DE 14-211. In fact, Liberty's RFP attracted a healthy number of bidders from the competitive market and the contingency never arose.

Finally, after reviewing the Maine PUC decisions and the comments from Liberty, Staff, and the OCA, we find that those decisions are not applicable to the circumstances in the instant docket. The Maine solicitation produced only one bidder unlike Liberty's response. In summary, we find the procedures for competitive bidding were followed, the results though high were in conformance with other market indicators, and there is no evidence that lower prices would result from a new solicitation for the same months or for a longer period. In fact, Liberty testified that prices are likely to be higher if commissions reject bids on the basis of market-based prices. Thus, we do not find it in the public interest to reject this filing and require Liberty to either issue a new RFP or to renegotiate prices. In addition, because the resulting rates are a result of a competitive solicitation and are market-based, we find that the rates are just and reasonable.<sup>5</sup>

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<sup>5</sup>*See, e.g., Louisiana Energy and Power Authority v. FERC*, 141 F.3d 36, 329 U.S. App.DC.401 (1998). In that order the U.S. Appellate Court recognized that the Federal Power Act requires that all rates demanded by public utilities



We recognize the reality of high electric prices that result from constrained natural gas supply for both heating and electric generation in New England, and the hardships that this imposes on customers. We encourage customers to take advantage of whatever measures are available to help them reduce their electric usage, obtain lower prices from a competitor, and manage their winter bills. It is important to note that under our competitive model, Liberty merely passes through the best price the competitive market produces, does not earn a profit on the electricity its customers use and has no incentive to retain its default service customers.

Residential customers whose budgets are strained by the higher rates this winter should consider contacting Liberty to see if a budget payment plan is available. We expect that Liberty's call center will be adequately staffed to take such calls and emphasize that Liberty should work closely with the Commission's Consumer Affairs Division to assure that all customer inquiries are appropriately handled by the Company. In addition, customers should take advantage of the information at the Commission's website on managing natural gas and electric service bills during winter months. See [Managing Your Natural Gas & Electric Utility Bills This Winter](#).

Residential customers who have not considered taking power from competitive suppliers should review offers from competitive suppliers that are registered to do business in New Hampshire. Customers should be aware that competitive suppliers can offer service under terms that are different from those required of electric utilities and customers should examine carefully the terms and conditions offered to make sure that the service offered matches their needs.

Variable rates and termination clauses are two provisions that require particularly close

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for the sale of electric energy be "just and reasonable" pursuant to 16 U.S.C. 824d(a); and that where there is a competitive market, the FERC may rely on market-based rates in lieu of cost-of-service regulation to satisfy the "just and reasonable" requirement." (citations omitted)

examination, because they can significantly increase a customer's bill under certain circumstances. Ratepayers can visit the Commission website at [Questions About Choosing a Competitive Supplier](#) for more information about what to consider in selecting a competitive supplier.

Residential ratepayers can also work with Liberty to examine the energy efficiency options available to them to curtail their heating and electric bills. While some energy efficiency measures may require a contribution from ratepayers, many of the measures are eligible for rebates from Liberty. Over time, the savings resulting from such measures often justify the initial financial commitment.

Finally, we note that on September 26, 2014, we received the default service filing for Unitil Energy Service, Inc. (UES), another distribution utility in New Hampshire. UES also solicits power for residential customers from the competitive market, and the rate proposed by UES for residential customers is almost identical to Liberty's. This is further evidence that the increased rates for Liberty's customers are the result of a competitive market and are not an indication of a defective solicitation. The reality is that energy prices will remain high for the winter period, and we urge all ratepayers to evaluate their options to reduce their use and costs while meeting the needs of their families and businesses.

We have reviewed the revised RPS adder and find that it is appropriate to increase the adder in light of the Company's analysis of the market rate for RECs and the increased RPS obligation for 2015. We also approve the revised RGGI credit to complete the return of excess RGGI revenues due Liberty's customers from the 2013 RGGI auctions. Finally, we agree that Liberty can discontinue the period loss factor reports provided that it keeps the Commission

informed of the resolution of the issue regarding the one residential customer residing in New Hampshire that is serviced by MECo.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the Master Power Transaction Confirmation entered into between NextEra Energy Power Marketing LLC and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for default service power supply for the Large Customer Group for the period beginning November 1, 2014 through April 30, 2015 and the resulting default service retail rates are hereby APPROVED; and it is

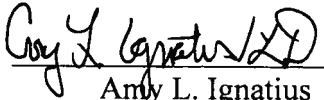
**FURTHER ORDERED**, that the Master Power Agreement and Transaction Confirmation entered into between Energy America LLC and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for default service power supply for the Small Customer Group for the period beginning November 1, 2014 through April 30, 2015 and the resulting rates are hereby APPROVED; and it is

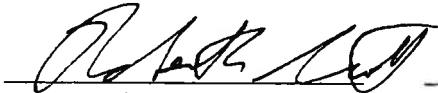
**FURTHER ORDERED**, that the RPS adder and the RGGI credit are just and reasonable and that the inclusion of these factors in rates effective November 1, 2014 through April 30, 2015 is hereby APPROVED; and it is


**FURTHER ORDERED**, that Liberty shall not be required to file any future loss factor reports provided that it keeps the Commission informed of any developments regarding to the New Hampshire residential customer who is served by MECo; and it is

**FURTHER ORDERED**, that Liberty shall file conforming tariffs within 30 days of the date of this order, consistent with N.H. Code Admin. Rules Puc 1603.02.

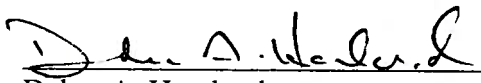
By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of  
September, 2014.

  
\_\_\_\_\_  
Amy L. Ignatius  
Chairman

  
\_\_\_\_\_  
Robert R. Scott  
Commissioner

  
\_\_\_\_\_  
Martin P. Honigberg  
Commissioner

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Docket #: 14-031-1      Printed: September 29, 2014

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND  
EXEC DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 14-340**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a LIBERTY  
UTILITIES**

**Annual Retail Rate Adjustment**

**Order Approving Rate Adjustments**

**ORDER NO. 25,745**

**December 30, 2014**

**APPEARANCES:** Sarah B. Knowlton, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential customers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves Liberty's annual retail rate reconciliation of its stranded cost and transmission charges for a twelve-month period beginning May 1, 2015. The resulting rate impacts for residential customers using 665 kWh per month is a monthly bill increase from \$160.30 to \$168.35 (5.02%). While Liberty had asked that the increase take effect January 1, 2015, the Commission is postponing the change until May 1, 2015, to avoid an additional increase to high energy prices this winter.

**I. BACKGROUND AND PROCEDURAL HISTORY**

On November 25, 2014, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or Company) filed a request for approval of retail rate adjustments related to its stranded cost charge and its transmission service charge. Liberty asked that the rates be effective on a service-rendered basis on and after January 1, 2105. In addition, Liberty proposed to refund customers a one-time credit associated with a borderline sales agreement with Massachusetts Electric Company (MECO), and included in its rate calculation a credit of

certain excess Regional Greenhouse Gas Initiative (RGGI) allowance auction revenues to customers. The Commission issued an Order of Notice on December 2, scheduling a hearing for December 16, 2014. Also on December 2, the Office of Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28.

Liberty's stranded cost charge recovers the Contract Termination Charge (CTC) billed by New England Power Company (NEP) in connection with the termination of NEP's all-requirements power contracts with National Grid prior to the advent of retail competition in the Company's service territory. The Commission approved the applicable recovery mechanisms in *Granite State Electric Co.*, Order No. 23,041, 83 NH PUC 532 (October 7, 1998). Liberty Utilities acquired Granite State Electric Company and associated obligations from National Grid in 2012. *See* Order No. 25,370 (May 30, 2012).

Liberty's transmission service charge adjustment (TSCA) includes costs that the Company incurs in providing transmission service. Through the TSCA, Liberty recovers costs billed to it by the Independent System Operator-New England (ISO-NE) and NEP through the ISO-NE Transmission, Markets and Services Tariff. In this filing, Liberty also includes an adjustment factor that reconciles transmission rates and revenues from the prior service period.

## **II. POSITIONS OF THE PARTIES**

### **A. Liberty Utilities**

#### **1. Stranded Cost Adjustment Charge**

The proposed stranded cost charge consists of two components: (1) a uniform per kWh charge Liberty collects from all customers reflecting the CTC assessed by NEP, and (2) rate-class specific adjustment factors reflecting the reconciliation of any excess or deficiency in

stranded cost recovery from that rate class in the prior year. Liberty testified that the proposed adjustments comply with its tariff, which provides for adjustments to the stranded cost charge as a result of any changes in the CTC assessed by NEP, as well as the rate-class specific reconciliation. The Company's filing proposed a decrease to the uniform stranded cost charge from 0.080 cents per kilowatt hour (kWh) to a credit of 0.150 cents per kWh (excluding rate class-specific adjustment factors) for the period beginning January 1, 2015. As of the time of Liberty's filing, NEP had not filed the final CTC report.

## **2. Transmission Service Cost Adjustment**

The filing included a change in transmission-related rates for costs incurred by Liberty and recovered through the TSCA in its tariff. The Company testified that base transmission rates are established annually using a forecast of costs incurred by the Company to provide transmission service to its retail delivery service customers. To obtain transmission service, the Company enters into service agreements with entities authorized by the Federal Energy Regulatory Commission (FERC) to provide transmission service in New England.

NEP and ISO-NE assess transmission service charges to Liberty to cover the cost of providing transmission over regionally networked facilities, more commonly known as Pool Transmission Facilities (PTF), or bulk transmission facilities. The service provided over those facilities is referred to as Regional Network Service (RNS). The ISO-NE RNS rate recovers RNS costs on a regionalized basis, and is determined annually based on an aggregation of the transmission revenue requirements of each transmission owner in New England, calculated in accordance with a FERC-approved formula. The Company is also billed for transmission over



NEP's local transmission facilities, considered non-PTF facilities. The service provided by the non-PTF facilities is referred to as Local Network Service (LNS).

Through the TSCA, the Company is permitted to recover costs billed to it by ISO-NE and NEP. The TSCA permits full reconciliation of transmission revenue and expenses, including adjustments for any over- or under-recovery of transmission costs from prior reconciliation periods. The 2013 reconciliation reflects actual transmission expenses for the period October 2013 through September 2014. To more accurately reflect and match transmission revenue with expenses, the September 2014 usage that was billed in October 2014 is included in this year's reconciliation.

Liberty's proposed transmission service charge for 2015 consists of two components: (1) a uniform transmission service adjustment factor of 0.24 cents per kWh, which is the reconciling mechanism in the transmission service charge; and (2) an average transmission service rate of 2.342 cents per kWh that varies by rate class, for a total transmission rate of 2.582 cents per kWh. The Company's estimated 2015 transmission service adjustment factor of 0.24 cents per kWh reflects a transmission service under-collection of \$2,319,113 from the prior reconciliation period. The factor was calculated by dividing the under-collection of the transmission service expense at September 2014 by the forecasted 963,111,161 kWh sales for 2015. Liberty testified that the under-collection for 2014 resulted from the fact that the Company's estimate developed for 2014 did not take into account NEP's planned transmission projects, and instead assumed that the 2014 costs would be similar to actual costs incurred in 2013. Liberty explained that, for future filings, the Company will review NEP's planned transmission projects when it develops the LNS estimate.

The Company explained that Liberty's transmission and ISO-NE expenses for 2015 are projected to be \$22.6 million, a net increase of \$4.1 million from the 2014 forecast. Liberty said that the increase is due to PTF plant additions anticipated to be in place in 2015 across New England. The Company stated that the largest portion of the increase is in LNS rates, due to a \$4 million increase in the total expense that NEP will charge to Liberty in 2015. Liberty calculated an average proposed transmission service rate of 2.342 cents per kWh, an increase over the current effective average transmission rate of 1.948 cents per kWh.

Liberty explained that this filing includes a one-time credit of 0.012 cents per kWh due to a payment received from MECO pursuant to a settlement regarding past borderline sales between MECO and Liberty. In addition, the calculation of the proposed rate changes includes a credit of 0.053 cents per kWh to refund to customers RGGI allowance auction amounts above \$1.00 per allowance pursuant to Order No. 25,664 (May 9, 2014).

Liberty stated that for residential customers using 665 kWh of electricity per month, the average monthly residential customer use, bills would increase from \$160.30 per month to \$162.56 per month, or 1.41%. Liberty said that to avoid another rate increase during the winter months, the Company was willing to defer the implementation of the rate, provided that the overall recovery included the carrying costs associated with the deferral. In addition, in response to Staff's suggestion, the Company said that it would consider pursuing a potential buy-down of the CTC charges.

Following the hearing, on December 17, Liberty filed a response to a record request (Exhibit 2) made at hearing. Liberty made an additional filing on December 18, which showed the calculation of the subject rates, including associated carrying costs, in the event that the

Commission decided to postpone the effective date of the rates until May 1, 2015. Liberty asked that the December 18th filing be included in the hearing record and identified as Exhibit 3. Liberty presented two scenarios in the December 18th filing. Both assumed a delay in the implementation of the rate increase to May 1, 2015. In the first scenario, recovery would take place over twelve months, through April 2016, and the average monthly residential bill would increase to \$168.35 (5.02%). In the second scenario, recovery would go only through December 2015, and the average monthly residential bill would increase to \$172.20 (7.42%).

### **B. OCA**

The OCA said that it had no objection to the methodology used by Liberty in calculating the rates. The OCA suggested that it would be appropriate for the Company to postpone implementation of the rates to avoid another increase to already-high winter rates.

### **C. Staff**

Staff said that it had reviewed the filing and determined that Liberty had appropriately calculated the rates, and that the resulting rates would be just and reasonable. Staff did not express an opinion on postponing the implementation of the rates for a later date. Staff recommended that the Commission approve the petition.

## **III. COMMISSION ANALYSIS**

RSA 378:7 authorizes the Commission to determine whether rates charged to retail utility customers in New Hampshire are just, reasonable and lawful. RSA 374-F:4, VIII(a), further authorizes the Commission to “order such charges and other service provisions and to take such other actions that are necessary to implement [electric industry] restructuring and that are substantially consistent with the principles” set forth in RSA 374-F. Among the principles

relevant to this proceeding are the objectives of providing “clear price information on the cost components of generation, transmission, distribution and any other ancillary charges” pursuant to RSA 374-F:3, III, and recovery of stranded costs through a “non-bypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, [and] consistent with the promotion of fully competitive markets” pursuant to RSA 374-F:3, XII (d).

The underlying policy determinations relevant to this proceeding were made in *Granite State Electric Co.*, Order No. 23,041, 83 NH PUC 532 (October 7, 1998), approving the rate adjustment mechanisms reflected in the Company’s current proposal. Each component deserves a brief discussion. We also address the timing of rate implementation.

Liberty’s proposed stranded cost charge is a decrease of 0.230 cents per kWh from 0.080 cents per kWh, to a credit of 0.150 per kWh. Typically, NEP files the final CTC reconciliation report in December of each year to allow Staff to verify the stranded cost charge proposed by the Company. To date, the Commission has not received the final CTC report. Therefore, we will conditionally approve the stranded cost adjustment rate. We direct Staff to review the CTC report when it is filed to verify the rate. Staff shall report its findings to the Commission once it completes its analysis of the CTC report.

Because the rate is decreasing over time, we believe there is merit to Staff’s suggestion that Liberty pursue the negotiation of a buy-down of its CTC obligations. The preparation of the stranded cost portion of the filing adds complexity to the filing and is time consuming for both the Company, which prepares the filing, and Staff in its review. Recognizing that there are

administrative efficiencies associated with the buy-down of CTC obligations, we encourage the Company to explore such a buy-down.

The proposed average transmission service charge incorporates two components: (1) the transmission service adjustment factor of 0.24 cents per kWh attributable to an under recovery from the prior period; and (2) a charge of 2.342 cents per kWh, which represents the forecasted rate calculation of transmission expenses for 2015. The transmission service costs in question are derived from FERC-approved tariffs and subject to FERC jurisdiction. Those costs are then applied in accordance with the rate mechanism approved in Order No. 23,041. Accordingly, we approve Liberty's request to increase the transmission service adjustment factor and the average transmission charge.

We also approve including the one-time credit resulting from the borderline sales agreement between Liberty and MECO, and the inclusion of the RGGI credit in the calculation of rates in this filing.

Liberty originally requested that the rate change be effective with services rendered on and after January 1, 2015. With the combined changes in this rate, a residential customer using 665 kWh per month in default service, the average monthly usage by residential customers, would experience a monthly bill increase of \$2.26 from \$160.30 to \$162.56. Although this difference represents a modest 1.41% increase in monthly bills, the fact is that Liberty default service customers experienced a significant increase in the energy portion of their bill effective November 1, 2014. Energy prices are expected to remain high for the remaining winter months, including the months of January and February 2015.

Based on the discussion about the rate impact on customers during the winter period, Liberty recalculated rates in the event that the Commission chose to delay the effective date of increases to stranded costs and transmission rates until May 1, 2015. Liberty filed its recalculated rate on December 18, 2014, and asked that it be admitted into evidence in this docket. We accept the filing and admit Liberty's December 18 filing as Exhibit 3 in this proceeding. In Exhibit 3, Liberty recalculated the rates with an effective date of May 1, 2015, and depicted rate recovery over two periods, as follows: (1) the seven-month period from May 1 through December 31, 2015; and (2) the twelve-month period from May 1, 2015, through April 30, 2016. Liberty chose the effective date of May 1, 2015, to coincide with its next default service rate change when energy prices are forecast to decline from the current winter-period market rates which form the basis for Liberty's default service rates. Liberty included associated carrying costs in its calculation of rates.

Having reviewed the options presented by Liberty, we find that it is in the public interest to postpone the rate approved in this filing to May 1, 2015, and to allow Liberty to recover the rates, with associated carrying costs, over a twelve-month period. Although the costs subject to recovery will increase due to the addition of carrying costs, the impact of the retail rate reconciliation on monthly bills will be mitigated by the lower energy prices expected in May. Moreover, postponing the effective day of the rate will keep winter rates at their current level, avoiding another increase in this high energy price period.

We appreciate the willingness of the Company to consider deferring rate implementation in this proceeding. Because winter energy rates are also expected to be high for next winter, we


direct Staff to meet with the Company to determine whether Liberty can schedule its retail rate reconciliation to take effect at a time other than the winter months.

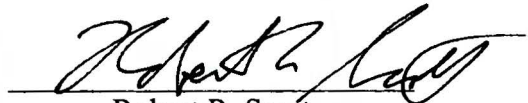
**Based upon the foregoing, it is hereby**

**ORDERED**, that, as detailed above, the retail rate adjustments and adjustment factors proposed by Liberty in its filing of November 25, 2014, are hereby APPROVED effective for the period May 1, 2015, through April 30, 2016; and it is

**FURTHER ORDERED**, that Liberty file appropriate tariff changes that conform to this order within 30 days hereof pursuant to N.H. Code Admin Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of December, 2014.

  
\_\_\_\_\_  
Martin P. Honigberg  
Chairman

  
\_\_\_\_\_  
Robert R. Scott  
Commissioner

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 15-010**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.  
D/B/A LIBERTY UTILITIES**

**Request for Approval of Default Service Solicitation**

**Order Approving Solicitation and Selection of Default Service Supply and Resulting Rates**

**ORDER NO. 25,770**

**March 30, 2015**

**APPEARANCES:** Sarah B. Knowlton, Esq., for Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of Consumer Advocate by Wayne R. Jortner, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Staff of the Public Utilities Commission.

In this Order, the Commission finds that Liberty's recent market solicitation for energy service power supply for its large and small customer groups, for the six-month period beginning May 1, 2015, was conducted in accordance with Commission Orders. The Commission authorizes Liberty to recover the costs of the power supply through energy service rates effective with service rendered on and after May 1, 2015. Liberty's customers will experience average monthly bill decreases of 26% to 33%, depending on customer class and usage. The Order approves an energy service rate of 7.063 cents per kWh for residential customers. For the average residential customer using 655 kWh per month, the result would be a decrease in monthly rates from \$158.01 to \$111.98, or 29.1% when compared to the six-month period ending April 2015. The Order recognizes that the reduction in power supply costs is an effect of the unregulated market and not a result of any particular action of the Company.

## I. PROCEDURAL HISTORY

On January 6, 2015, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or Company) filed a letter detailing the Company's schedule regarding the issuance of requests for proposals (RFPs) for default energy service power supply for the six-month period beginning May 1, 2015. The Office of the Consumer Advocate (OCA) filed a letter of participation on January 16, 2015, and the Commission issued an Order of Notice on February 18, 2015.

On March 23, 2015, Liberty filed a petition requesting approval of its solicitation and procurement of default energy service for 100% of power supply requirements for the period May 1 through October 31, 2015. The solicitation requested power supply for Liberty's large commercial and industrial customers (Large Customer Group)<sup>1</sup> and residential and small commercial customers (Small Customer Group).<sup>2</sup> Liberty filed the petition pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (Jan. 13, 2006), and modified by Order No. 24,922 (Dec. 19, 2008), and further modified by Order No. 25,601 (Nov. 27, 2013) (Settlement Agreement).

Pursuant to the Settlement Agreement, Liberty solicits default energy service supply for 100% of its Large Customer Group requirements in two, separate three-month blocks of power supply. Liberty then develops rates for the Large Customer Group based on the winning bid contract prices, calculating rates that vary monthly. For its Small Customer Group, Liberty

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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 Time-of-Use Rate G-1, under 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 Hearing Rate V, under the Company's Retail Delivery Tariff.

solicits prices for 100% of a six-month block of power supply and sets a fixed rate for the six-month period by calculating a six-month weighted average.

Liberty filed the testimony of John D. Warshaw and Heather M. Tebbetts. Mr. Warshaw is employed as Manager, Electric Supply by Liberty Energy Utilities (New Hampshire) Corp. (Liberty Energy NH), the entity that provides services to Liberty. Ms. Tebbetts is a utility analyst also employed by Liberty Energy NH.

In its filing, Liberty also proposed an adjustment to the Renewable Portfolio Standard (RPS) adder used to procure compliance with New Hampshire RPS law. Liberty provided its quarterly customer migration report and an update regarding a boundary issue with Massachusetts Electric Company (MECo). This boundary issue involves one residential customer who owns a home physically located in New Hampshire, but whose electric service is delivered by MECo.

Liberty filed confidential information, including the Company's transaction confirmations and master power agreements with the winning suppliers, bid evaluation and summary information, RPS compliance pricing, and retail meter commodity cost calculations. Liberty requested confidential treatment of these materials pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), Puc 201.06(1), and Puc 201.07. With respect to the wholesale purchase prices included in the filing, Liberty requested confidential treatment only until such time as the Federal Energy Regulatory Commission (FERC) requires those prices to be made public.

On March 24, 2015, Liberty filed corrected testimony of Ms. Tebbetts, and corrected schedules related to Ms. Tebbetts' and Mr. Warshaw's testimony. The Company provided a redlined version of Ms. Tebbetts' corrected testimony on March 25, 2015.

The merits hearing was held on March 26, 2015. The Commission granted Liberty's request for confidential treatment at hearing. A record request (designated as Exhibit 7) was made at hearing for the correction and modification of certain schedules in the filing, and Liberty filed those schedules on March 27, 2015.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Liberty**

Liberty testified that it conducted its solicitation process consistent with the terms of the Settlement Agreement. The RFPs, which were issued on February 13, 2015, solicited fixed pricing for each month of service on an as-delivered energy basis, and allowed prices to vary by month. According to Liberty, the RFPs were issued to approximately 25 potential suppliers. The RFPs were also distributed to all members of the New England Power Pool Markets Committee and posted on Liberty's energy supply website. According to Liberty, the RFPs were widely distributed throughout the New England energy supply marketplace.

Liberty testified that suppliers submitted indicative bids on March 10, 2015, and final bids on March 17, 2015. Liberty evaluated the bids and selected NextEra Energy Power Marketing, LLC (NextEra) (formerly known as FPL Energy Power Marketing, Inc.), as the winning bidder for the two three-month blocks of power supply for the Large Customer Group. Liberty selected Exelon Generation Company, LLC (Exelon) (formerly known as Constellation Energy Commodities Group, Inc.), as the winning bidder for the six-month power supply for the Small Customer Group. Liberty attested that it selected these suppliers because their bids conformed to the RFPs, had the lowest prices, met the credit requirements described in the RFPs, and passed Liberty's qualitative evaluation. Liberty attested further that it complied with the

solicitation and bid evaluation process approved by the Commission and stated that its choice of suppliers was reasonable.

A copy of the NextEra Master Power Agreement was filed with the Commission on September 17, 2007, as part of its 2007 energy service proceeding, and was approved by the Commission in Order No. 24,787 (September 21, 2007). A copy of the Exelon Master Power Agreement was filed with the Commission on March 20, 2006, as part of its 2006 energy service proceeding, and was approved by the Commission in Order No.24,609 (March 28, 2006). Copies of the transaction confirmations between Liberty and NextEra, and Liberty and Exelon, with confidential sections redacted, are attached to Mr. Warshaw's testimony as JDW-4, and JDW-5, respectively.

Liberty stated that its 2015 RPS obligation requires it to either purchase renewable energy certificates (RECs), or make alternative compliance payments (ACPs), equal to 8.3% of retail sales. In accordance with Order No. 24,922 (December 19, 2008), Liberty requested bidders responding to the RFPs for default energy service supply to also provide a separate RPS compliance adder with their bids. Liberty explained that the RPS compliance adder is the incremental charge to be paid to the bidder for the bidder's agreement to take on the RPS obligation associated with the energy service load.

According to Liberty, only one of the bidders submitted an RPS compliance adder. The Company compared the proposed adder to the current market price for RECs to determine whether the adder is reasonable. Liberty used responses to its most recent RFP for RECs and broker quotes to develop a market price for 2015 RECs, and compared that to the bidder's RPS adder. Based on this comparison, Liberty determined that the submitted RPS compliance adder was greater than the market price for RECs and, therefore, Liberty did not accept the proposed

adder. Liberty, however, is proposing a change to the Commission-approved RPS adder of 0.535 cents per kilowatt hour (kWh) to 0.358 cents per kWh to reflect the results of its RPS solicitation and the recent decrease in the Class III obligation scheduled for 2015. Liberty proposed that these changes take effect for the six-month period beginning May 1, 2015, through October 31, 2015.

Liberty testified that, for both customer groups, it calculates the base energy service rate by multiplying the commodity cost at the wholesale level (\$ per megawatt-hour) by the applicable loss factor, and then dividing the results by ten. Once that base rate is calculated, Liberty adjusts the rate by including the RPS adder, and the factors that reconcile any over- or under-recoveries. In addition, Liberty includes in the rate calculation the credits associated with the borderline sales agreement between Liberty and MECo. Taking into account all adjustments, Liberty, in its March 24<sup>th</sup> filing, calculated a total energy service rate of 6.926 cents per kWh for the Small Customer Group. For a residential customer using 655 kWh per month, the average monthly usage of residential customers, the resulting rates would constitute monthly bill decreases of 29.7% from \$158.01 per month, to \$111.09 per month, compared to the six-month period ending April 2015. Other customers in the Small Customer Group would experience monthly bill decreases ranging from 28% to 31%.

At hearing, Liberty testified that it had calculated an under-recovery of approximately \$800,000 in connection with RPS compliance that had not been included in the calculation of rates. Liberty proposed to defer recovery of the shortfall until rates effective May 2016 and agreed to forego applying interest to the shortfall amount. The Commission requested that the Company file a response to a record request (Exhibit 7) that demonstrated the calculation of energy service rates if Liberty recovered the short-fall in RPS revenues for the six-month period

beginning May 1, 2015. In Exhibit 7, which Liberty filed on March 27, 2015, Liberty calculated a rate of 7.063 cents per kWh for the Small Customer Group beginning May 1, 2015, assuming that recovery of the RPS shortfall commences on that day. For the average residential customer using 655 kWh per month, the result would be a decrease in monthly rates from \$158.01 to \$111.98, or 29.1% when compared to the six-month period ending April 2015. Other customers in the Small Customer Group would experience monthly bill decreases ranging from 27% to 33%.

For the Large Customer Group, Liberty develops base energy service rates that vary by month. Liberty then adjusts these rates by the reconciliation factors and RPS adder to calculate a total energy service rate for each month in the energy service period. As a result of these calculations, Liberty derived the following monthly rates for the Large Customer Group, with and without the recovery of the RPS revenue shortfall.

	May	June	July	August	September	October
Without Recovery	5.836 cents per kWh	6.546 cents per kWh	7.671 cents per kWh	6.947 cents per kWh	6.582 cents per kWh	6.965 cents per kWh
With Recovery	5.973 cents per kWh	6.683 cents per kWh	7.808 cents per kWh	7.084 cents per kWh	6.719 cents per kWh	7.102 cents per kWh

Without recovery of the RPS shortfall, average monthly bills for the Large Customer Group would decrease from 26% to 27%, depending on usage, as compared to the six-month period ending April 2015. With the recovery of the RPS shortfall, monthly bill impacts would range from 25% to 26%.

In response to questions at hearing, Liberty testified that it would be amenable to including recovery of the RPS shortfall in rates commencing May 1, 2015, if the Commission determined that such action were appropriate.

Liberty explained that the rates resulting from its default service procurement process are based on market rates and, in this instance, reflect the lower market rates forecast for the spring and summer months. Liberty stated that the Company rates reflect the costs of paying wholesale suppliers for energy. While Liberty earns a profit on its distribution system and services, the Company said it merely passes through energy service costs offered by suppliers who bid the lowest cost for energy supply. According to the Company, it expects that the winter rates for the upcoming winter energy service period will be higher than the rates offered for the May through October 2015 energy service period.

Liberty also provided an update on the remaining issue related to the customer who resides in Liberty's franchise area but who receives service from MECo. According to Liberty, the Company is close to executing a contract with MECo to confirm that Liberty will provide electric service to that customer. Liberty said it will update the Commission once the contract is executed.

In its filing, Liberty briefly addressed the Commission's concerns regarding Liberty's proposed method to procure energy service supply in the event of a failure to secure bids in response to an RFP. Liberty proposed to advance from August to July the time it issues an RFP for power supply for the six-month energy service period beginning November 1, 2015. Liberty asserted that building this extra time into the procurement process would be responsive to Order No. 25,763 (February 18, 2015). Liberty also acknowledged that the Commission is investigating alternative approaches to the procurement of energy service in Docket IR 14-338, and that it is participating in that docket.



Liberty concluded by requesting that the Commission approve its energy service solicitation and evaluation process, and by asserting that the resulting rates are just and reasonable and market-based.

#### **B. Office of Consumer Advocate**

The OCA noted an error in Liberty's filing in the comparison between the prices in the spot market and the prices of the Company's winning bidder. With the exception of the error, the OCA stated that the Company did an adequate job in its default service procurement and said that it had no objection to the filing.

#### **C. Commission Staff**

Commission Staff (Staff) said that it reviewed the filing and determined that Liberty followed the solicitation and bid evaluation of the process approved by the Commission. Staff said that, based on its review, the resulting rates are market based. Staff recommended that the Commission approve the filing. Staff said that it was inclined to support the recovery of the RPS shortfall beginning with rates for services effective on May 1, 2015; however, Staff indicated that it intended to review the impact of the recovery on energy service rates.

### **III. COMMISSION ANALYSIS**

We find that Liberty complied with the procedures approved in Order No. 24,577 regarding its analysis of the bids and its selection of the winning bidders for energy service supply for its small and large customer groups for the six-month period beginning May 1, 2015. We are also satisfied that Liberty took appropriate steps to solicit multiple potential suppliers in order to receive competitive bid responses. We find that the results are consistent with the requirement of RSA 374-F:3, V(c) that default energy service be procured through the

competitive market. We also find that the resulting rates are just and reasonable as required by RSA 378:5 and 378:7.

We also find that Liberty's evaluation of the bids and its selection of NextEra as the supplier of energy service power requirements for the Large Customer Group for the two three-month periods beginning May 1, 2015, and August 1, 2015, respectively, are reasonable and appropriate. Similarly, we find Liberty's evaluation and selection of Exelon as the energy service supplier for the Small Customer Group for the period May 1 through October 31, 2015 to be reasonable and appropriate. Liberty's testimony, together with its bid evaluation report, indicates that the bid prices reflect expected market conditions for the time periods in question.

Liberty submitted certain confidential information pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06, and 201.07. The information for which Liberty seeks confidential treatment includes the Company's transaction confirmations with the winning suppliers, bid evaluations and summaries, RPS compliance pricing, and retail meter commodity cost calculations. After reviewing the redacted material, we found at hearing that the category of information for which Liberty seeks confidential treatment is information routinely submitted and granted confidential treatment in connection with default service proceedings, as defined in Puc 201.06(a)(30). Therefore, we granted confidential treatment as requested. The redacted information shall be accorded confidential treatment subject to the provisions of Puc 201.07, provided that the wholesale power costs contained in Liberty's filing shall be treated as confidential only until such time as the costs are made public through the operation of FERC rules.

We also approve Liberty's proposal to make a downward adjustment to the RPS compliance adder, and the other reconciliation and adjustment factors included in this filing. We have reviewed Exhibit 7, which presents the impact on rates if Liberty begins to recover the

shortfall in RPS revenue effective with rates beginning on May 1, 2015. We find that it is appropriate for the Company to commence recovery of the shortfall beginning May 1, 2015. As noted in the record, Liberty anticipates a significant reduction in energy service rates for May 1 as a result of its RFP process. The inclusion in rates of the recovery of the RPS shortfall would modestly increase rates for both the small and large customer groups while still allowing customers to experience the lower rates associated with the spring and summer months. In addition, commencing recovery beginning with rates effective May 2015 more closely aligns the recovery of the shortfall with the period of time in which the shortfall occurred. Therefore, we find it just and reasonable to authorize the Company to begin recovery of the RPS shortfall with rates effective May 1, 2015.

Finally, we appreciate the participation of Liberty in IR 14-338 and direct the Company to that docket to evaluate its alternatives in the event of a failed auction for energy service.

**Based upon the foregoing, it is hereby**


**ORDERED**, that the Master Power Agreement Transaction Confirmation entered into between NextEra Energy Power Marketing, LLC, and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for default service power supply for the Large Customer Group for the six-month period beginning May 1, 2015, and the resulting default service retail rates, are hereby APPROVED; and it is

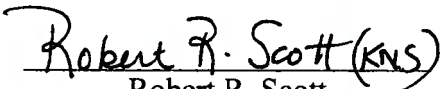
**FURTHER ORDERED**, that the Master Power Agreement Transaction Confirmation entered into between Exelon Generation Company, LLC and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities for the Small Customer Group for the six-month period beginning May 1, 2015, and the resulting default service retail rates, are hereby APPROVED; and it is

**FURTHER ORDERED**, that the redacted materials filed by Liberty in this proceeding shall be accorded confidential treatment pursuant to N.H. Code Admin. Rules Puc 201, provided that after the wholesale power purchase prices included in the filing shall be confidential only until such time as the Federal Energy Regulatory Commission requires such prices to be made public; and it is

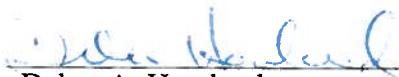
**FURTHER ORDERED**, that Liberty shall file conforming tariffs within 30 days of the date of this Order, consistent with N.H. Code Admin. Rules Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of March, 2015.

  
\_\_\_\_\_  
Martin P. Honigberg  
Chairman

  
\_\_\_\_\_  
Robert R. Scott  
Commissioner

Attested by:

  
\_\_\_\_\_  
Debra A. Howland  
Executive Director

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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Docket #: 15-010-1      Printed: March 30, 2015

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND  
EXEC DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 15-087**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.  
D/B/A LIBERTY UTILITIES**

**Calendar Year 2014 Reliability Enhancement and Vegetation Management Plan Results  
and Reconciliation**

**Order Following Hearing**

**ORDER NO. 25,785**

**April 30, 2015**

**APPEARANCES:** Sarah B. Knowlton, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of the Consumer Advocate by Susan W. Chamberlin; Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves Liberty's revised filing of its Reliability Enhancement and Vegetation Management Plan Results and Reconciliation for calendar year 2014, with the condition that Liberty excludes from rates the money that FairPoint owes Liberty for vegetation management services. Liberty calculated the rate impact of the reconciliation to be an increase of 0.75% to distribution rates, or an increase of \$1.21 per month for an average residential customer using 655 kWh per month.

In addition, the Commission approves Liberty's proposal to commence recovery of certain transmission costs approved by the Commission in Order No. 25,745. With the transmission costs included in rates, the total bill impact of this filing is an approximate increase of \$9.15 in average monthly residential customer bills. When the adjustments approved in this Order are combined with the reduction in the energy service rate approved by the Commission in Order No. 25,770, residential customers will experience approximate average monthly bill

reductions of 29.8%, from \$158.01 to \$111.98, effective May 1, 2015, as compared with the period ending April 30, 2015.

## **I. PROCEDURAL HISTORY**

On March 13, 2015, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or Company) filed a report describing its reliability enhancement plan (REP) and vegetation management plan (VMP) for calendar year 2014. The filing was made pursuant to a settlement agreement approved by the Commission in Order No. 25,638 (March 17, 2014) in Liberty's most recent distribution rate case. With its filing, Liberty provided supporting testimony of Christian Brouillard, Director of Engineering; Jeffrey Carney, Vegetation Supervisor; and Heather M. Tebbetts, Utility Analyst; along with related exhibits and proposed tariffs. Mr. Brouillard, Mr. Carney, and Ms. Tebbetts work for Liberty Energy Utilities (New Hampshire) Corp. (Liberty Energy NH), an affiliate of Liberty that provides various services to the Company.

With the testimony, Liberty filed (1) a report on the actual spending on REP and VMP operation and maintenance (O&M) and REP capital investment for 2014, including an explanation of the difference between the actual amounts and the budgeted amounts reviewed by Commission Staff (Staff), (2) a request to recover from customers \$35,166, the incremental O&M spending over the \$1,360,000 base amount for 2014, (3) a request to recover the revenue requirement associated with \$971,298 in 2014 capital investment and \$1,230,601 of 2013 capital investment placed in service in 2014, and (4) a summary of reliability performance for 2014.

In addition, Liberty proposes to implement a rate increase related to its transmission charges beginning with service rendered on and after May 1, 2015. *See* Order No. 25,745 (December 30, 2014). With the inclusion of the transmission costs, assuming all of Liberty's

proposed changes were approved, the total bill impact on residential customers using 655 kWh per month, the average use by residential customers over the 12 months ending January 1, 2015, would be an increase of approximately \$9.15 per month.

The Office of the Consumer Advocate (OCA) filed a letter on March 20, 2015 indicating its participation in this docket pursuant to RSA 363:28.

On April 1, 2015, the Commission issued an order suspending the proposed tariff and scheduling a hearing on April 14, 2015. Liberty filed revised schedules to the testimony of Ms. Tebbetts on April 10, 2015. The schedules were revised to correct certain factors contained in the original calculation of rates, but the corrections had minimal impact on the calculation of rates in the initial filing.

Commission hearings examiner Michael Sheehan, Esq., conducted the hearing. Attorney Sheehan filed a hearing examiner's report on April 17, 2015.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Liberty**

The REP and VMP budgets are premised on the idea that specified levels of annual spending on capital and O&M activities are necessary to maintain the safety and reliability of the Company's electrical distribution system. REP/VMP O&M activities include (1) protection or replacement of conductors, installation of reclosers, and other measures on low-performing feeders (feeder hardening), (2) augmented tree-trimming and hazard tree removal, (3) asset replacement (including the replacement of bare mainline conductors), and (4) inspection and maintenance.

The settlement agreement approved in Order No. 25,638 specified that a base amount of \$1,360,000 would be included in distribution rates and spent on O&M activities associated with



the VMP during the year. To the extent that the Company spending differed from the agreed-upon base O&M budget in a given year, the difference would be credited to or included in rates, at the discretion of the Commission (REP/VMP Adjustment Factor). The settlement agreement also authorized the Company to spend \$1,000,000 on REP capital investments for each year, and to recover the revenue requirement associated with those investments in distribution rates.

The REP/VMP process begins with a discussion between Staff and Liberty of the Company's REP/VMP activity plan for the forthcoming year. For 2014, Liberty presented plans to the Staff that proposed an O&M budget of \$1,432,700, which was more than the annual base amount of \$1,360,000 for O&M expense. O&M expenses include costs associated with hazard tree removals and general increases to vegetation management costs. The Company's actual spending for REP/VMP O&M in 2014 was \$1,395,166, or \$37,534 less than the budgeted amount. According to Liberty, the lower costs were due to lower bid prices for cycle pruning. In addition, the Company spent less than anticipated for spot tree trimming, trouble and restoration calls, and tree planting, which are activities driven by demand. On the other hand, Liberty spent more than anticipated on interim tree trimming and other costs associated with work to address tree-related reliability issues on portions of the Pelham 14L2 circuit. Liberty calculated the REP/VMP adjustment factor to be a credit to customers of 0.017 cents per kWh.

Liberty explained that it has a contractual agreement with FairPoint whereby the two companies share costs of tree-trimming conducted by Liberty. According to Liberty, FairPoint has not paid amounts owed for Liberty's 2013 and 2014 vegetation management services. For those two years, Liberty believes that FairPoint owes \$444,442. In its filing, Liberty proposed to recover that amount from its customers. The Company explained that once it receives payment from FairPoint, it will credit those receipts to customers. Liberty said that it was appropriate to

recover the FairPoint debt from customers, pending payment by FairPoint, because customers benefited from the reliability effects of vegetation management. The REP/VMP Adjustment Factor, including the FairPoint debt, would result in a charge of 0.006 cents per kWh for customers.

In 2014, Liberty spent \$1,130,601 on capital investment described in detail in its report. Liberty installed two single-phase reclosers and eighteen units of trip savers and replaced two miles of bare primary conductors. Liberty explained that the single-phase reclosers and trip savers target circuit segments that would realize reliability benefits from single-phase tripping and reclosing, and from isolating faults down to the smallest single-phase segment possible. The replacement of bare conductors was performed in an area prone to tree-related outages where it would be too costly to rely on vegetation management alone to mitigate the possibility of outages.

In addition to requesting recovery of the revenue requirement associated with the 2014 capital investment, Liberty sought recovery of the revenue requirements associated with \$1,230,601 in 2013 capital investment placed in service in 2014. Liberty said that the carryover from 2013 was attributed to a timing issue that delayed 2013 plant in service from being processed through the Company's accounting system. Liberty said that it had taken a number of steps to improve the timing of the accounting treatment of these jobs, including establishing and using appropriate accounts, and holding monthly meetings to review the status of pending capital projects. The total associated revenue requirement for 2013 and 2014 is \$377,950, or an approximate increase of \$1.21 per month for residential customers using 655 kWh per month.

Liberty included an analysis of its reliability performance over the past five years in its filing. As shown in that analysis, the Company said it continues to improve its reliability metrics

over time, with the 2014 performance being slightly better than that of 2013. Liberty said that the Company did not meet its System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) targets for 2014, due to three weather events. Liberty said the outages associated with those three events contributed to 33% of the total SAIDI and 23% of the total SAIFI metrics.

In Order No. 25,745 (December 30, 2014), the Commission directed the Company to implement revised transmission and stranded cost charges on May 1, 2015, rather than the originally proposed date of January 1, 2015, because of the Commission's concern over high energy service prices during the winter period. As ordered by the Commission, Liberty included those costs in the calculation of rates. While the stranded cost charge is a small credit to customers, the average transmission charge approved by the Commission is 2.342 cents per kWh, an approximate 68% increase in transmission charges over the current average charge of 1.946 cents per kWh.

## **B. OCA**

The OCA did not object to the general capital costs associated with the REP. In addition, the OCA said that it understood that the Company was addressing the timing issue associated with the 2013 capital carryover and had no objection to the inclusion of the associated revenue requirements in rates.

The OCA characterized FairPoint's non-payment of its share of vegetation management costs as a contract dispute between Liberty and FairPoint, and argued that the electric customers have no duty to pay that money to Liberty pending Liberty's recovery of the debt from FairPoint. Accordingly, the OCA objected to Liberty's proposal to recover from electric ratepayers the amount the Company is owed by FairPoint.

### **C. Staff**

Staff concluded that Liberty appropriately set REP/VMP priorities and appropriately conducted the REP/VMP program. Staff also concluded that the Company had authority to include transmission costs in rates effective May 1, 2015, pursuant to Commission order.

Staff agreed with the OCA that the Company should not recover from ratepayers the money FairPoint owed them for vegetation management services. Staff said that if the Company were allowed to recover the approximately \$450,000 from customers, there would be less incentive to pursue FairPoint for the amounts owed. Staff said if the FairPoint amounts were excluded from the calculation of rates, the resulting rates would be just and reasonable.

### **III. HEARINGS EXAMINER REPORT**

The Hearings Examiner report noted that neither the OCA nor Staff objected to or questioned any of the REP/VMP activities undertaken by Liberty during 2014. With respect to cost recovery, the Hearings Examiner made the following specific recommendations.

1. That the Commission approve Liberty's request to add \$377,950 to distribution rates to recover the revenue requirement associated with REP capital investment in 2013 and 2014;
2. That the Commission deny Liberty's request to recover \$35,166 in O&M expense;
3. That the Commission order Liberty to decrease its annual distribution rates by \$210,585 (the difference between \$35,166 and the amount owed by FairPoint for 2014); and
4. That the Commission allow Liberty to renew its request for the FairPoint money owed for 2014 and 2013 in next year's REP/VMP filing, if necessary, after Liberty exhausts reasonable collection efforts.

#### IV. COMMISSION ANALYSIS

We first address Liberty's annual REP/VMP report and the Company's REP/VMP activities during calendar year 2014. We find that the activities performed by the Company during 2013 were consistent with the goals and parameters of the reliability enhancement and vegetation management programs.

Regarding cost recovery, we allow Liberty to recover the revenue requirement of \$377,950 associated with the capital investment made in 2013 and 2014. We understand that the Company has taken steps to address accounting and timing issues.

Regarding the FairPoint debt, we take a somewhat different view than the Hearings Examiner. According to Liberty, pursuant to the contract between Liberty and FairPoint, FairPoint owes Liberty \$198,691 for VMP services performed in 2013 and \$245,751 for VMP services performed in 2014. We find it is not just and reasonable to allow Liberty to add any of the FairPoint debt in its calculation of customer rates. We thus instruct Liberty to remove \$444,442 from the calculation of the REP/VMP adjustment factor when it files complying tariffs with the Commission. If the FairPoint debt is omitted from the calculation, the resulting rate is a credit of 0.017 cents per kWh. With this adjustment, we find that the resulting rates are just and reasonable pursuant to RSA 378:7

Liberty should vigorously pursue its contractual rights to recover the amounts owed for 2013 and 2014 from FairPoint. Further, we note that the Hearings Examiner said in his report that "[c]ustomers will ultimately pay if FairPoint does not ...." Hearings Examiner Report, at 9. We do not necessarily agree with this statement. It is premature to determine what recourse Liberty may have in the event it is unable to collect from FairPoint.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the 2014 reliability enhancement plan and vegetation management plan report of Liberty, is hereby APPROVED; and it is


**FURTHER ORDERED**, that the request of Liberty to recover \$377,950 in revenue requirements associated with 2013 and 2014 capital investment is hereby APPROVED; and it is

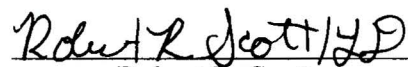
**FURTHER ORDERED**, that the REP/VMP adjustment factor, calculated without the inclusion of the FairPoint debt as described above, is hereby APPROVED; and it is

**FURTHER ORDERED**, that the rate adjustments approved above shall be effective with rates for services rendered on and after May 1, 2015; and it is

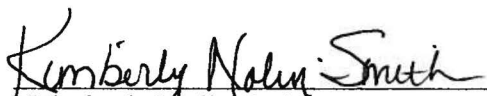
**FURTHER ORDERED**, that Liberty shall file tariff pages conforming to this Order pursuant to Puc Part 1603, within 20 days hereof.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2015.

  
\_\_\_\_\_  
Martin P. Honigberg  
Chairman

  
\_\_\_\_\_  
Robert R. Scott  
Commissioner

Attested by:

  
\_\_\_\_\_  
Kimberly Nolin Smith  
Assistant Secretary

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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COMMISSIONER  
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STATE OF NEW HAMPSHIRE



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May 6, 2015

RE: DE 15-087, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Order No. 25,785

To the Parties:

Enclosed is revised page 8 of Order No. 25,785 (April 30, 2015). The third paragraph has been modified.

All other portions of this order remain unchanged. Please substitute the enclosed revised page to your copy of Order No. 25,785.

Very truly yours,

A handwritten signature in black ink, appearing to read "Debra A. Howland".

Debra A. Howland  
Executive Director and Secretary

Enclosure  
cc: Service List  
Docket File



#### IV. COMMISSION ANALYSIS

We first address Liberty's annual REP/VMP report and the Company's REP/VMP activities during calendar year 2014. We find that the activities performed by the Company during 2013 were consistent with the goals and parameters of the reliability enhancement and vegetation management programs.

Regarding cost recovery, we allow Liberty to recover the revenue requirement of \$377,950 associated with the capital investment made in 2013 and 2014. We understand that the Company has taken steps to address accounting and timing issues.

Regarding the FairPoint debt, we take a somewhat different view than the Hearings Examiner. According to Liberty, pursuant to the contract between Liberty and FairPoint, FairPoint owes Liberty \$198,691 for VMP services performed in 2013 and \$245,751 for VMP services performed in 2014. Liberty only included the \$245,751 from 2014 in this filing. Liberty did not seek to recover the \$198,691 from 2013 in this or in last year's filing. We find it is not just and reasonable to allow Liberty to add any of the FairPoint debt in its calculation of customer rates. We thus instruct Liberty to remove \$245,751 from the calculation of the REP/VMP adjustment factor when it files complying tariffs with the Commission. If the FairPoint debt is omitted from the calculation, the resulting rate is a credit of 0.017 cents per kWh. With this adjustment, we find that the resulting rates are just and reasonable pursuant to RSA 378:7

Liberty should vigorously pursue its contractual rights to recover the amounts owed for 2013 and 2014 from FairPoint. Further, we note that the Hearings Examiner said in his report that "[c]ustomers will ultimately pay if FairPoint does not ...." Hearings Examiner Report, at 9. We do not necessarily agree with this statement. It is premature to determine what recourse Liberty may have in the event it is unable to collect from FairPoint.

**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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