

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-041

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

Solicitation of Energy Service

Order Approving Solicitation Process and Resulting Rates

ORDER NO. 26,201

December 17, 2018

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; Office of the Consumer Advocate, by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Paul B. Dexter, Esq., on behalf of Commission Staff.

In this order, the Commission approves Liberty's competitive solicitation of energy supply for its large and small customer groups. The Commission authorizes Liberty to recover the costs of that supply through an energy service rate of 8.299 cents per kilowatt hour (kWh) for its residential and small commercial customer group. As a result, a residential customer who uses Liberty's energy service will experience no rate change in its monthly bill compared with the current energy service period ending January 31, 2019.

I. PROCEDURAL HISTORY

On September 26, 2018, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed a timeline for requesting approval of its solicitation and procurement of default energy service for 100 percent of power supply requirements for the six-month period from February 1, 2019, through July 31, 2019.

On December 10, 2018, Liberty filed the results of its solicitation along with supporting testimony, related exhibits, and proposed rates to recover the costs of power supply. The

solicitation requested power supply for Liberty's large and medium commercial and industrial customers (Large Customer Group)¹ and its residential and small commercial customers (Small Customer Group)² for the six-month period beginning February 1, 2019. The filing was made pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (January 13, 2006), as modified by Order No. 24,922 (December 19, 2008), Order No. 25,601 (November 27, 2013), and Order No. 25,806 (September 2, 2015). Consistent with Order No. 25,806, Liberty shifted its default service periods to provide that each six-month period includes one of the two winter months (January and February) when the region traditionally experiences high energy prices.

Liberty's filing included the testimony of John D. Warshaw, Manager of Electric Supply for Liberty Utilities Service Corp., and a technical statement and schedules of David B. Simek, Manager of Rates and Regulatory Affairs. Mr. Warshaw's testimony describes the default service procurement process. Mr. Simek's statement and schedules address the proposed energy service rates and bill impacts. Certain schedules included in this filing contain information which Liberty claims is confidential pursuant to N.H. Code Admin. Rules Puc 201.06(a)(15) and Puc 201.07, including the Company's transaction confirmations with the winning suppliers, bid evaluation and summary information, renewable energy certificate (REC) pricing, and retail meter commodity cost calculations.

The Office of the Consumer Advocate (OCA) previously filed a letter of participation on behalf of residential customers pursuant to RSA 363:28 on April 2, 2018. The Commission

¹ The Large Customer Group includes customers taking service under the General Long-Hour Service Rate G-2, or General Service Time-of-Use Rate G-1, under the Company's Retail Delivery Tariff.

² The Small Customer Group includes 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, under the Company's Retail Delivery Tariff.

issued a secretarial letter on December 10 scheduling a hearing on December 12, 2018. During the hearing, a record request was made by the Commission for Liberty to confirm that the appropriate loss factor was used to calculate the proposed rates. Liberty responded to this record request by filing a revised Schedule DBS-1, in which it recalculated the monthly Large Customer Group rates using a corrected loss factor.³ See Hearing Exhibit (Exh.) 7 (confidential) and Exh. 8 (redacted). The corrected loss factor, however, had no impact on the energy service rate for the Small Customer Group.

Liberty's December 10 filing and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-041.html>.

II. POSITIONS

A. Liberty

1. RFP Process

Liberty said it conducted its solicitation process consistent with the terms of the settlement agreement approved in Order No. 24,577. The Company issued a request for proposals (RFP) on November 1, 2018, to approximately 25 potential suppliers. It also distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its energy supply website. The RFP requested fixed pricing for each month of service on an as-delivered energy basis.

Liberty received indicative proposals on November 27, 2018, and final bids one week later. Liberty evaluated the bids received for each customer group, and chose the supplier that

³ Liberty did not include an explanation of how it calculated the corrected loss factor. We direct Liberty to include such an explanation in its next Energy Service reconciliation filing.

(1) provided a bid that was conforming to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed Liberty's qualitative evaluation.

On December 4, 2018, Liberty entered into a wholesale Transaction Confirmation with Calpine Energy Services, L.P. (Calpine), as the winning bidder to provide power supply to the Large Customer Group for the three-month period of February 1 through April 30, 2019; and to the Small Customer Group for the six-month period of February 1 through July 31, 2019. A copy of the Transaction Confirmation, with confidential sections redacted, was attached as an exhibit to Mr. Warshaw's testimony. Liberty filed the Calpine Master Power Agreement in Docket No. DE 16-249, one of its prior energy service proceedings.

Also on December 4, 2018, Liberty entered into a wholesale Transaction Confirmation with DTE Energy Trading, Inc. (DTE), as the winning bidder to provide energy service to the Large Customer Group for the three-month period of May 1 through July 31, 2019. A copy of the Master Power Agreement between Liberty and DTE was previously filed with the Commission on December 14, 2009, in connection with Liberty's 2009 energy service proceeding (Docket No. DE 09-010). Liberty also attached the Transaction Confirmation between Liberty and DTE, with certain sections redacted, as an exhibit to Mr. Warshaw's testimony.

According to Liberty, as a result of its bid selections, the load-weighted average of the energy service power supply costs for the Large Customer Group for the period beginning February 1, 2019, and ending July 31, 2019 is 8.827 cents per kWh as compared with the load-weighted average of 8.556 cents per kWh for the six-month period ending January 31, 2019. The load-weighted average of the power supply costs for the Small Customer Group for the six-month period beginning February 1, 2019, is 9.103 cents per kWh compared to

the load-weighted average of 8.913 cents per kWh for the six-month period ending January 31, 2019,

2. RPS Adder

Pursuant to the approved settlement agreement, Liberty includes a Renewable Portfolio Standard (RPS) adder in the calculation of its energy service rate and requests approval of that adder. For compliance year 2019, RSA 362-F:3 requires that the Company either purchase RECs⁴ or make alternative compliance payments equal to 19.7 percent of retail sales, an increase from the 2018 obligation of 18.7 percent. Liberty calculated an RPS compliance adder of 0.290 cents per kWh beginning February 1, 2019, for both the Small and Large Customer Groups, a reduction from the previous compliance adder of 0.557 cents per kWh.

3. Retail Rates

Liberty calculates the base energy rate for both customer groups using applicable loss factors and then adjusts the rates by including the RPS adder and the factors that reconcile any over- or under-recoveries.⁵ With the inclusion of the RPS adder and reconciliation factors, Liberty calculated an energy service rate of 8.299 cents per kWh for the Small Customer Group for the six-month period beginning February 1, 2019. That rate is the same as the rate that has been in effect since August 1, 2018, and is 0.632 cents per kWh lower than the rate approved for the six-month period beginning February 1, 2018.

For the Large Customer Group, Liberty develops base energy service rates that vary by month. Liberty then adjusts those rates using the reconciliation factors and the RPS adder to calculate a total energy service rate for each month in the energy service period. Performing those calculations, Liberty derived monthly rates for customers in the Large Customer Group. In

⁴ Each REC represents one megawatt of renewable energy.

⁵ Liberty performs a reconciliation of the RPS and energy service costs and revenues on an annual basis in its June energy service filing. The proposed rate includes a credit from Liberty's 2018 reconciliation filing.

response to a record request made by the Commission during the December 12 hearing, Liberty provided a revised schedule containing the following recalculated monthly Large Customer Group rates using a corrected loss factor.

February 2019	12.864 cents per kWh
March 2019	10.066 cents per kWh
April 2019	7.542 cents per kWh
May 2019	6.745 cents per kWh
June 2019	5.429 cents per kWh
July 2019	5.966 cents per kWh

During the December 12 hearing, Liberty provided a status update related to the Commission's authorization in Order No. 26,150 (June 25, 2018) of an audit to be conducted by Commission Audit Staff of Liberty's Energy Service Adjustment Factor and the Energy Service Cost Reclassification Adjustment Factor and related accounts and balances. Liberty represented that it planned to submit information to the Commission's Audit Division for auditing in the near future and in time for the results of the audit to be reflected in Liberty's 2019 reconciliation filing in the summer of 2019.

B. OCA

The OCA recommended that the Commission approve the filing, because the power supply was procured in the competitive market and the resulting rates are just and reasonable. At the same time, the OCA suggested that Liberty should consider using variable pricing for the Small Customer Group in the future if it produced a lower average monthly price.

C. Staff

Staff, like the OCA, noted that the power supply was procured through a competitive solicitation process. Staff recommended that the Commission approve the proposed rates as just and reasonable, subject to any correction of the applicable loss factor.

III. COMMISSION ANALYSIS

Based on the filing and the information presented at hearing, we find that Liberty complied with the procedures approved in the settlement agreement approved in Order No. 24,577, as amended in subsequent dockets, regarding its issuance of the RFP, its analysis of the bids, and its selection of the winning bidders. 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 requirements of RSA 374-F:3, V(c) that default service be procured through the competitive market, and that the resulting rates, after including Liberty's correction of the applicable loss factor, are just and reasonable as required by RSA 374:2, RSA 378:5, and RSA 378:7.

We further find that Liberty's evaluation of the bids and its selection of suppliers were reasonable and appropriate. Liberty's testimony and its bid evaluation report indicate that bid prices reflect expected market conditions for the six-month period beginning February 1, 2019. Finally, based on the testimony and other information provided by the Company, we approve the proposed RPS adder.

Based upon the foregoing, it is hereby

ORDERED, that the Transaction Confirmation entered into between Liberty and Calpine Energy Services, L.P., for the six-month power supply for the Small Customer Group and the three-month power supply block that begins February 1, 2019, for the Large Customer Group and the resulting energy service rates are hereby APPROVED; and it is

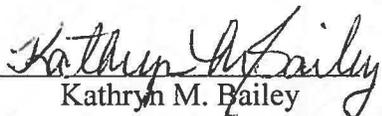
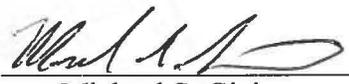
FURTHER ORDERED, that the Transaction Confirmation entered into between Liberty and DTE Energy Trading, Inc., for the three-month block of power supply beginning

May 1, 2019, for the Large Customer Group and the resulting energy service rates are hereby APPROVED; and it is

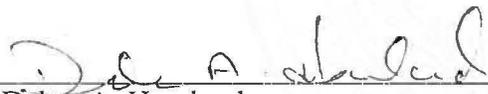
FURTHER ORDERED, that the proposed RPS adder for the Large Customer Group and the Small Customer Group for the period beginning February 1, 2019, is hereby APPROVED; and it is

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 seventeenth day of December, 2018.

 _____ Martin P. Honigberg Chairman	 _____ Kathryn M. Bailey Commissioner	 _____ Michael S. Giaimo Commissioner
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Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES- DOCKET RELATED

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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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.**