

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

Docket No. DE 18-041

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Energy Service for the Period August 1, 2018, to January 31, 2019

**DIRECT TESTIMONY**

**OF**

**JOHN D. WARSHAW**

**June 18, 2018**

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1 **I. Introduction**

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

3 A. My name is John D. Warshaw, and my business address is 15 Buttrick Road,  
4 Londonderry, New Hampshire.

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

6 A. I am the Manager of Electric Supply for Liberty Utilities Service Corp. (“Liberty”),  
7 which provides services to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty  
8 Utilities (“Granite State,” “Liberty Utilities,” or “the Company”). I oversee the  
9 procurement of power for Energy Service for Granite State as well as the procurement of  
10 Renewable Energy Certificates (“RECs”).

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

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

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

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

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

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

9 A. Yes. I most recently testified before the Commission in Docket No. DE 18-051, Granite  
10 State's Annual Retail Rates hearing, on May 9, 2018.

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

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

15 **II. Purpose of Testimony**

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

17 A. The purpose of my testimony is to support the Company's request for Commission  
18 approval of Liberty Utilities' proposed Energy Service rates for both (i) the Large and  
19 Medium Commercial and Industrial Customer Group (“Large Customer Group”<sup>1</sup>), and

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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.

1 (ii) the Residential and Small Commercial Customer Group (“Small Customer Group”<sup>2</sup>)  
2 for the six-month period August 1, 2018, through January 31, 2019. My testimony will  
3 describe the process used by Liberty Utilities to procure Energy Service for both the  
4 Large and Small Customer Groups, the proposed Energy Service rates, how the Company  
5 proposes to meet its 2017 and 2018 Renewable Portfolio Standard (“RPS”) obligations,  
6 and the resulting Renewable Portfolio Standard Adder for service rendered on and after  
7 August 1, 2018.

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

- 9 A. Schedule JDW-1 Energy Service RFP August 1, 2018, through January 31, 2019  
10 Schedule JDW-2 Energy Service Procurement Summary  
11 Schedule JDW-3 Comparison of Change in Futures Prices to Change in Procurement  
12 Costs  
13 Schedule JDW-4 Energy Service Contract for the Large Customer Group August 1,  
14 2018, through October 31, 2018 and for the Small Customer Group  
15 August 1, 2018 through January 31, 2019, with NextEra Energy  
16 Marketing, LLC.  
17 Schedule JDW-5 Energy Service Contract for the Large Customer Group November  
18 1, 2018, through January 31, 2019, with Vitol, Inc.  
19 Schedule JDW-6 Summary of November 1, 2017, RPS Solicitation

20 **III. Energy Service Bidding Process**

21 **Q. Mr. Warshaw, why does Liberty Utilities need to procure Energy Service for both**  
22 **the Large and Small Customer Groups for the period beginning August 1, 2018?**

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

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

1 three-month term for the Large Customer Group and a six-month term for the Small  
2 Customer Group. Liberty Utilities' currently effective Energy Service supply contracts  
3 for both the Large and Small Customer Groups expire on July 31, 2018. Therefore, to  
4 assure that Energy Service will continue to be available, Liberty Utilities requires new  
5 Energy Service supply arrangements beginning August 1, 2018.

6 **Q. Please describe the process Liberty Utilities used to procure its Energy Service**  
7 **supply for the period beginning August 1, 2018.**

8 A. Liberty Utilities conducted its procurement of Energy Service supply in accordance with  
9 applicable law and Commission directives. The Company complied with the solicitation,  
10 bid evaluation, and procurement process set forth in the Settlement Agreement dated  
11 November 18, 2005, which agreement was approved by the Commission in Order No.  
12 24,577 (Jan. 13, 2006) in Docket No. DE 05-126, amended by Order No. 24,922 (Dec.  
13 19, 2008) in Docket No. DE 08-011, amended by Order No. 25,601 (Nov. 27, 2013) in  
14 Docket No. DE 13-018, and further amended by Order No. 25,806 (Sept. 2, 2015) in  
15 Docket No. DE 15-010 (as amended through these subsequent orders, the "Settlement  
16 Agreement"). On May 1, 2018, Liberty Utilities issued a request for proposals ("RFP")  
17 for certain power supply services and sought suppliers for Liberty Utilities' Energy  
18 Service covering both the Large and Small Customer Groups.

19 **Q. Was the Company's solicitation for the period beginning August 1, 2018, consistent**  
20 **with the Commission approved process for Energy Service?**

21 A. Yes, Liberty Utilities' Energy Service RFP was conducted consistent with the Settlement  
22 Agreement.

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

2 A. On May 1, 2018, Liberty Utilities issued a RFP to approximately twenty-five potential  
3 suppliers soliciting power for the period August 1, 2018, through January 31, 2019.  
4 Liberty Utilities also distributed the RFP to all members of the New England Power Pool  
5 (“NEPOOL”) Markets Committee and posted the RFP on Liberty Utilities’ energy supply  
6 website. As a result, the RFP had wide distribution throughout the New England energy  
7 supply marketplace. The RFP requested fixed pricing for each month of service on an as-  
8 delivered energy basis. Prices could vary by month and by service, that is, the prices did  
9 not have to be uniform across the entire service period or between the three load blocks.  
10 A copy of the RFP is provided as Schedule JDW-1.

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

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

13 A. Yes. Indicative proposals were received on June 5, 2018. Final proposals were received  
14 on June 12, 2018. None of the bidders made their provision of Liberty Utilities’ Energy  
15 Service contingent upon the provision of any other service.

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

17 A. Yes, participation was similar to past solicitations.

18 **Q. How do the current futures prices for electricity and natural gas compare to the  
19 futures prices at the time of the Company’s previous two solicitations?**

20 A. The futures market prices for electricity and natural gas at the time of receiving final bids  
21 for the May 1, 2017, and November 1, 2017, solicitations as well as current futures

1 market prices are shown in Schedule JDW-3. These are the most recent solicitations for  
2 the Small Customer Group. As shown, current electric wholesale and natural gas prices  
3 are higher when compared to the May 1, 2017, and November 1, 2017, solicitations when  
4 final bids were received. The current purchase price is similarly higher when compared  
5 to the May 1, 2017, and November 1, 2017, solicitations for the same service period.

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

7 A. Yes. Liberty Utilities evaluated the bids received and selected the supplier that: (i)  
8 provided a bid that was conforming to the RFP; (ii) had the lowest price; (iii) met the  
9 credit requirements described in the RFP; and (iv) passed our qualitative evaluation. On  
10 June 13, 2018, Liberty Utilities entered into a wholesale Transaction Confirmation with  
11 NextEra Energy Marketing, LLC, the winning bidder to provide Energy Service to the  
12 Large Customer Group for the three-month period August 1 through October 31, 2018,  
13 and for the Small Customer Group for the six-month period August 1, 2018, through  
14 January 31, 2019. Together, a Transaction Confirmation and a Master Power Agreement  
15 provide the terms for the purchase of Energy Service from a supplier. A copy of the  
16 Transaction Confirmation between NextEra and Liberty Utilities with certain  
17 confidential sections redacted, is attached hereto as Schedule JDW-4. A copy of the  
18 NextEra Master Power Agreement was filed with the Commission on September 17,  
19 2007, in Docket No. DE 07-12 (Energy Service proceeding), and the First Amendment to  
20 that Master Power Agreement was filed with the Commission on September 20, 2010, in  
21 Docket DE 10-020 (Energy Service proceeding).

1 Also on June 13, 2018, Liberty Utilities entered into a wholesale Transaction  
2 Confirmation with Vitol, Inc. (“Vitol”), the winning bidder to provide Energy Service to  
3 the Large Customer Group for the three-month period November 1, 2018, through  
4 January 31, 2019. Together, a Transaction Confirmation and a Master Power Agreement  
5 provide the terms for the purchase of Energy Service from a supplier. A copy of the  
6 Transaction Confirmation between Vitol and Liberty Utilities with certain confidential  
7 sections redacted, is attached hereto as Schedule JDW-5. A copy of the Vitol Master  
8 Power Agreement was filed with the Commission on December 11, 2017, in Docket No.  
9 DE 17-058 (Energy Service proceeding).

10 **V. Renewable Portfolio Standard**

11 **Q. Mr. Warshaw, what are the RPS obligations for 2018 and 2019?**

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

<b>NH-RPS Classes</b>	<b>2018</b>	<b>2019</b>
RPS Class I	7.5%	8.2%
RPS Class I Thermal	1.2%	1.4%
RPS Class II	0.5%	0.6%
RPS Class III	8.0%	8.0%
RPS Class IV	1.5%	1.5%
Total	18.7%	19.7%

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

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

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

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

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

3 **Q. What were the criteria Liberty Utilities used to evaluate any RPS Compliance**  
4 **Adder which may have been provided by a bidder?**

5 A. Liberty Utilities compared the adder provided by a bidder to the prices it received in its  
6 May 1, 2018, RPS solicitation.

7 **Q. Did Liberty Utilities accept an RPS Compliance Adder provided by a bidder?**

8 A. No. Neither of the winning Energy Service bidders submitted an RPS Compliance  
9 Adder.

10 **Q. Is Liberty Utilities proposing any changes to the Renewable Performance Standard**  
11 **Adder at this time?**

12 A. Yes. Liberty Utilities is proposing to change the Commission-approved Renewable  
13 Performance Standard Adder to reflect the results of its recent RPS solicitations to meet  
14 the RPS obligations of 2018 and 2019.

15 Liberty Utilities issued a request for proposals on May 1, 2018, for the acquisition of  
16 New Hampshire RPS compliant RECs to meet its 2017 and 2018 obligations. The results  
17 of Liberty Utilities' May 1, 2018, solicitation are included in Schedule JDW-2, Exhibit  
18 10. At this time, Liberty Utilities has completed its analysis of the bids but has not  
19 started contract negotiations with the bidders. Liberty Utilities will notify the winning  
20 bidders by June 30, 2018, and will provide an update in the next Energy Service filing

1 scheduled for December 2018. Liberty Utilities proposes to use a combination of the bid  
2 prices for RPS classes for which it received bids in its May 1, 2018, RPS solicitation for  
3 the RPS Adder.

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

5 A. As shown in Schedule JDW-2, Exhibit 11, Liberty Utilities used the prices it received in  
6 its May 1, 2018, RPS solicitation. The retail RPS costs were calculated on a per  
7 megawatt-hour (MWh) basis. The Company divided the calculated retail RPS costs by  
8 ten in order to convert the units from dollars per MWh to a cents per kilowatt-hour (kWh)  
9 rate to determine the Renewable Portfolio Standard Adder.

10 **Q. What happens if Liberty Utilities' actual RPS compliance costs are different from**  
11 **those used in calculating the Renewable Portfolio Standard Adder?**

12 A. Liberty Utilities reconciles its costs of RPS compliance with the revenue billed to  
13 customers from the Renewable Portfolio Standard Adder. This reconciliation occurs as  
14 part of the annual Energy Service reconciliation. The next annual Energy Service  
15 reconciliation filing will occur in June 2019.

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

17 A. Yes. In December 2017, Liberty Utilities was able to contract for Class I and Class IV  
18 RECs to help meet a portion of its 2017 and 2018 RPS obligations. A summary of the  
19 results of Liberty Utilities' November 1, 2017, RPS solicitation is included in Schedule  
20 JDW-6.

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

2 A. Liberty Utilities plans to issue a RPS solicitation in November 2018 to procure RECs to  
3 satisfy the remaining 2018 and 2019 RPS obligations. Through that solicitation, Liberty  
4 Utilities will attempt to procure the quantity of RECs necessary to satisfy the remaining  
5 2018 and 2019 obligations for load that will be serviced under Energy Service supply  
6 contracts.

7 **VI. Energy Service Commodity Costs**

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

11 A. The load-weighted average of the power supply costs for the Large Customer Group for  
12 August 1, 2018, through January 31, 2019, is 8.556¢ per kWh compared to the load-  
13 weighted average of 7.593¢ per kWh for the period February 1 through July 31, 2018.  
14 The load-weighted average of the power supply costs for the Small Customer Group for  
15 August 1, 2018, through January 31, 2019, is 8.913¢ per kWh compared to the load-  
16 weighted average of 8.079¢ per kWh for the period February 1 through July 31, 2018.  
17 The power supply costs at the retail customer meter (¢ per kWh) were calculated by  
18 multiplying the commodity prices at the wholesale level (\$ per MWh) by the applicable  
19 loss factor and then dividing the results by ten. The applicable loss factors can be found  
20 in the RFP summary in Schedule JDW-2. The loss factor is a calculated ratio of  
21 wholesale purchases to retail deliveries.

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

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

7 **VII. Conclusion**

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

9 A. The Large Customer Group rates and the Small Customer Group Rates proposed in this  
10 filing will both end on January 31, 2019. Per the terms of the Settlement Agreement,  
11 Liberty Utilities will issue a RFP for both groups in November 2018. For purposes of  
12 notice to the Commission, the following table illustrates Liberty Utilities' proposed  
13 timeline for the next RFP:

<b>RFP Process Steps</b>	November 2018 RFP
RFP Issued	November 1, 2018
Indicative Bids Due	November 27, 2018
Final Bids Due	December 4, 2018
Energy Service Filing to Commission	December 10, 2018
Commission Order Needed	December 17, 2018
Service Begins	February 1, 2019

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

16 A. Yes, it does.