

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

Docket No. DE 21-087

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Energy Service for the Period August 1, 2021 – January 31, 2022

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

June 14, 2021



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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. (“LUSC”), which
7 provides services to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
8 (“Granite State,” “Liberty,” or “the Company”). I oversee the procurement of power for
9 Energy Service for Granite State as well as the procurement of Renewable Energy
10 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 2011, I joined LUSC as Manager, Electric Supply for Granite State. Prior
18 to my employment at LUSC, I was employed by National Grid USA Service Company
19 (“National Grid”) as a Principal Analyst in Energy Supply – New England from 2000 to
20 2010. In that position I conducted a number of solicitations for wholesale power to meet
21 the needs of National Grid’s New England distribution companies. I also administered

1 both short-term and long-term power purchase agreements for National Grid's New
2 England distribution companies. Prior to my employment at National Grid, I was
3 employed at COM/Energy (now Eversource) 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 21-063, Granite
10 State's Annual Retail Rate Filing, on April 20, 2021.

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's proposed Energy Service rates for both (i) the Large and Medium
19 Commercial and Industrial Customer Group ("Large Customer Group"¹), and (ii) the

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

1 Residential and Small Commercial Customer Group (“Small Customer Group”²) for the
2 six-month period August 1, 2021, through January 31, 2022. My testimony will describe
3 the process used by Liberty to procure Energy Service for both the Large and Small
4 Customer Groups, the proposed Energy Service rates, how the Company proposes to
5 meet its 2021 Renewable Portfolio Standard (“RPS”) obligations, and the resulting
6 Renewable Portfolio Standard Adder for service rendered on and after August 1, 2021.

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

- 8 A. Schedule JDW-1 Energy Service RFP August 1, 2021, through January 31, 2022
9 Schedule JDW-2 Energy Service Procurement Summary
10 Schedule JDW-3 Comparison of Change in Futures Prices to Change in Procurement
11 Costs
12 Schedule JDW-4 Energy Service Contract for the Large Customer Group August 1,
13 2021, through January 31, 2022, with Dynegy Marketing and
14 Trade, LLC
15 Schedule JDW-5 Dynegy Marketing and Trade, LLC. Master Power Agreement
16 marked to show changes from standard
17 Schedule JDW-6 Energy Service Contract for the Small Customer Group August 1,
18 2021, through January 31, 2022, with Exelon Generation
19 Company, LLC
20 Schedule JDW-7 Summary of November 1, 2020, RPS Solicitation

21 **III. ENERGY SERVICE BIDDING PROCESS**

22 **Q. Mr. Warshaw, why does Liberty need to procure Energy Service for both the Large
23 and Small Customer Groups for the period beginning August 1, 2021?**

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

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

1 term for the Large Customer Group and a six-month term for the Small Customer Group.
2 Liberty's currently effective Energy Service supply contracts for both the Large and
3 Small Customer Groups expire on January 31, 2021. Therefore, to assure that Energy
4 Service will continue to be available, Liberty requires new Energy Service supply
5 arrangements beginning August 1, 2021.

6 **Q. Please describe the process Liberty used to procure its Energy Service supply for**
7 **the six-month period beginning August 1, 2021.**

8 A. Liberty 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 3, 2021, Liberty issued a request for proposals ("RFP") for
17 certain power supply services and sought suppliers for Liberty' Energy Service covering
18 both the Large and Small Customer Groups.

19 **Q. Was the Company's solicitation for the period beginning August 1, 2021, consistent**
20 **with the Commission approved process for Energy Service?**

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

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

2 A. On May 3, 2021, Liberty issued an RFP to a number of potential suppliers soliciting
3 power for the period August 1, 2021, through January 31, 2022. Liberty also distributed
4 the RFP to all members of the New England Power Pool (“NEPOOL”) Markets
5 Committee and posted the RFP on Liberty’s energy supply website. As a result, the RFP
6 had wide distribution throughout the New England energy supply marketplace. The RFP
7 requested fixed pricing for each month of service on an as-delivered energy basis. Prices
8 could vary by month and by service; that is, the prices did not have to be uniform across
9 the entire service period or between the three load blocks. A copy of the RFP is provided
10 as Schedule JDW-1.

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

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

13 A. Yes. Indicative proposals were received on June 1, 2021. Final proposals were received
14 on June 8, 2021. None of the bidders made their provision of Liberty’s Energy Service
15 contingent upon the provision of any other service.

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

17 A. Yes. Participation in this RFP was consistent with earlier solicitations. Some of the
18 bidders elected to not bid on the Large Customer Blocks but all bid on the Small
19 Customer Block. In discussions with the bidders, there was concern from some that the
20 expected load from the Large Customer Group during and after the Covid-19 economic
21 conditions would be difficult to reliably forecast and decided the risk was too great to bid
22 on those two blocks.

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

3 A. The futures market prices for electricity and natural gas at the time of receiving final bids
4 for the May 1, 2020, and November 1, 2020, solicitations as well as current futures
5 market prices are shown in Schedule JDW-3. These are the most recent solicitations for
6 the Small Customer Group. As shown, current electric wholesale and natural gas prices
7 are significantly higher when compared to the final bids received for the May 1, 2020,
8 and November 1, 2020, solicitations. The current purchase price is similarly higher when
9 compared to the May 1, 2020, and November 1, 2020, solicitations for the same service
10 period.

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

12 A. Yes. Liberty evaluated the bids received and selected the supplier that: (i) provided a bid
13 that was conforming to the RFP; (ii) had the lowest price; (iii) met the credit
14 requirements described in the RFP; and (iv) passed our qualitative evaluation. On June 9,
15 2021, Liberty entered into a wholesale Transaction Confirmation with Dynegy Marketing
16 and Trade, LLC ("Dynegy"), the winning bidder to provide Energy Service to the Large
17 Customer Group for the six-month period August 1, 2021, through January 31, 2022.
18 Together, a Transaction Confirmation and a Master Power Agreement provide the terms
19 for the purchase of Energy Service from a supplier. A copy of the Transaction
20 Confirmation between Dynegy and Liberty, with certain confidential sections redacted, is
21 attached hereto as Schedule JDW-4. A copy of the Dynegy Master Power Agreement

1 marked to show differences from the standard master power agreement is attached hereto
2 as Schedule JDW-5.

3 Also on June 9, 2021, Liberty entered into a wholesale Transaction Confirmation with
4 Exelon Generation Company, LLC (“Exelon”), the winning bidder to provide Energy
5 Service to the Small Customer Group for the six-month period August 1, 2021, through
6 January 31, 2022. A copy of the Transaction Confirmation between Exelon and Liberty,
7 with certain confidential sections redacted, is attached hereto as Schedule JDW-6. A
8 copy of the Exelon Master Power Agreement was filed with the Commission on March
9 20, 2006, in Docket No. DE 06-115 (Energy Service proceeding), and the First
10 Amendment to that Master Power Agreement was filed with the Commission on
11 September 15, 2009, in Docket No. DE 09-010 (Energy Service proceeding).

12 **V. RENEWABLE PORTFOLIO STANDARD**

13 **Q. Mr. Warshaw, what are the RPS obligations for 2021 and 2022?**

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

NH-RPS Classes	2021	2022
RPS Class I	9.6%	10.3%
RPS Class I Thermal	1.8%	2.0%
RPS Class II	0.7%	0.7%
RPS Class III	8.0%	8.0%
RPS Class IV	1.5%	1.5%
Total	21.6%	22.5%

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

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

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

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

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

3 A. Liberty compared the adder provided by a bidder to the prices it received in its May 3,
4 2021, RPS solicitation, past solicitations, and current market prices.

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

6 A. No. Neither of the winning Energy Service bidders RPS Compliance Adders were lower
7 than the proposed Renewable Portfolio Standard Adder.

8 **Q. Is Liberty proposing any changes to the Renewable Portfolio Standard Adder at this**
9 **time?**

10 A. Yes. Liberty is proposing to change the Commission-approved Renewable Portfolio
11 Standard Adder to reflect the increase in the RPS obligations and the results of its recent
12 RPS solicitations to meet the 2021 RPS obligations.

13 Liberty issued a request for proposals on May 3, 2021, for the acquisition of New
14 Hampshire RPS compliant RECs to meet its remaining 2020 and 2021 obligations. The
15 results of Liberty's May 3, 2021, solicitation are included in Schedule JDW-2, Exhibit
16 10. At this time, Liberty has completed its analysis of the bids but has not started
17 contract negotiations with the bidders. Liberty will notify the winning bidders by June
18 30, 2021, and will provide an update in the next Energy Service filing scheduled for
19 November 2021. Liberty proposes to use the bid prices for RPS classes for which it
20 received bids in its May 3, 2021, RPS solicitation, past solicitations, and current market
21 prices for the RPS Adder.

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

2 A. As shown in Schedule JDW-2, Exhibit 11, Liberty used the prices it received in response
3 to its May 3, 2021, RPS solicitation and current market prices. The retail RPS costs were
4 calculated on a per megawatt-hour (MWh) basis. The Company divided the calculated
5 retail RPS costs by ten in order to convert the units from dollars per MWh to a cents per
6 kilowatt-hour (kWh) rate to determine the Renewable Portfolio Standard Adder.

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

9 A. Liberty reconciles its costs of RPS compliance with the revenue billed to customers from
10 the Renewable Portfolio Standard Adder. This reconciliation occurs as part of the annual
11 Energy Service reconciliation. The next annual Energy Service reconciliation filing will
12 occur in June 2022.

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

14 A. Yes. In December 2020, Liberty was able to contract for Class I Thermal, Class II, and
15 Class IV RECs to help meet a portion of its 2020 and 2021 RPS obligations. A summary
16 of the results of Liberty's November 2020 RPS solicitation is included in Schedule JDW-
17 7.

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

19 A. Liberty plans to issue an RPS solicitation in November 2021 to procure RECs to satisfy
20 the remaining 2021 RPS obligations and a portion of the 2022 RPS obligations.

1 **VI. ENERGY SERVICE COMMODITY COSTS**

2 **Q. Mr. Warshaw, please summarize the power supply cost at the retail meter based on**
3 **Liberty's expected procurement cost used to develop the proposed retail rates.**

4 A. The load-weighted average of the power supply costs for the Large Customer Group for
5 August 1, 2021, through January 31, 2022, is 7.944¢ per kWh as compared to the load-
6 weighted average of 6.497¢ per kWh for the period February 1, 2021, through July 31,
7 2021. The load-weighted average of the power supply costs for the Small Customer
8 Group for August 1, 2021, through January 31, 2022, is 8.426¢ per kWh as compared to
9 the load-weighted average of 6.426¢ per kWh for the period February 1, 2021, through
10 July 31, 2021. The power supply costs at the retail customer meter (¢ per kWh) were
11 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by
12 the applicable loss factor and then dividing the results by ten. The applicable loss factors
13 can be found in the RFP summary in Schedule JDW-2. The loss factor is a calculated
14 ratio of wholesale purchases to retail deliveries.

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

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

1 **VII. CONCLUSION**

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

3 A. The Large Customer Group rates and the Small Customer Group rates proposed in this
4 filing will both end on January 31, 2022. Per the terms of the Settlement Agreement,
5 Liberty will next issue an RFP for both groups in November 2021. For purposes of
6 notice to the Commission, the following table illustrates Liberty's proposed timeline for
7 the next RFP:

RFP Process Steps	Proposed November 2021 RFP
RFP Issued	November 1, 2021
Indicative Bids Due	December 7, 2021
Final Bids Due	December 14, 2021
Energy Service Filing to Commission	December 17, 2021
Commission Order Needed	December 24, 2021
Service Begins	February 1, 2022

8

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

10 A. Yes, it does.