

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-024

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

2022 Default Service Solicitations

Order Approving Solicitation Process and Resulting Rates

O R D E R N O. 26,643

June 20, 2022

This order authorizes Liberty to recover the costs of power supply through energy service rates¹ for effect between August 1, 2022 and January 31, 2023. The order approves a six-month energy service rate of 22.228 cents per kilowatt hour (kWh) for residential customers taking energy service from Liberty, a 100% increase in power supply costs as compared to current rates. For a residential customer using 650 kWh per month, when transmission and distribution costs are included, the result will be an increase in the monthly bill from \$154.71 to \$226.92, or about \$72.21 more (an increase of 46.7 percent), compared to current rates. The residential energy service rate is 13.842 cents per kWh higher than the same six-month period (August-January) a year ago (a bill increase of 68.1%). These rates include a charge of 0.781 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. For residential customers, these RPS costs represent approximately 3.5 percent of the power supply charges.

The Commission recognizes that the impact of these rates, though reflective of current national and global energy market conditions, is a significant concern for ratepayers. While the Commission has not had regulatory authority over power supply since New Hampshire's generation divestiture policy was enacted, it has authority over

¹ The customer bill for those customers that take Liberty default service is composed of 3 parts, power supply, transmission, and distribution. The energy service rates for default service customers are for the power supply component only.

the supply/energy service procurement process. In the current environment of rapidly rising costs, it is a good time to review this procurement process, including timing, duration, cost averaging, and best practices from other states. Accordingly, the Commission will expand its RPS compliance investigation, as introduced by the Commission in Order No. 26,582, to include supply/energy service practices.

I. PROCEDURAL HISTORY

On April 13, 2022, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (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 August 1, 2022 through January 31, 2023. On April 21, 2022, the Commission issued a Commencement of Adjudicative Proceeding and Notice of Hearing Order, scheduling a hearing for June 14, 2022. The hearing was held as scheduled. In addition to the Company, representatives of the New Hampshire Department of Energy (DOE) appeared.

Liberty filed its initial, interim version of its testimony and supporting schedules related to its rate requests in this docket on May 13, 2022. Following the outcome of its solicitation process for default service requirements, described below, the Company filed the final version of its filing after Commission business hours on June 13, 2022. This filing presented the results of Liberty's 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 customers (Large Customer Group) and its small commercial and residential customers (Small Customer Group).

Liberty made its filing 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). Liberty's filing included the pre-filed testimony and schedules of John D. Warshaw, Manager, Electric Supply for Liberty Utilities Service Corp.; Heather M. Tebbetts, Manager of Rates and Regulatory Affairs for Liberty Utilities Service Corp.; and Adam M. Hall, Analyst, Rates and Regulatory Affairs for Liberty Utilities Service Corp. Mr. Warshaw, Ms. Tebbetts and Mr. Hall provided additional oral testimony in support of the Company's petition at hearing.

Mr. Warshaw's pre-filed testimony describes the energy service solicitation and bid evaluation process used by the Company. Ms. Tebbetts and Mr. Hall's pre-filed testimony, styled as a "Technical Statement," addresses the calculation of the proposed energy service rates and bill impacts. Certain schedules included in Liberty's filings contain information that Liberty claims is confidential pursuant to the New Hampshire Code of Administrative Rules, Puc 201.06 and 201.07. This material includes the Company's bid evaluation and summary information, renewable energy certificate pricing, and other confidential pricing terms.

The petition 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 <https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-024.html>

II. POSITIONS

A. Liberty

On May 2, 2022, Liberty issued a request for proposals (RFP) for energy service for its Small Customer Group (including all residential customers) and Large Customer Group for the period August 1, 2022, through January 31, 2023. The Company distributed the RFP to a number of potential suppliers, including all members of the New England Power Pool's Markets Committee, and posted the RFP information on the Liberty website. On May 31, 2022, Liberty received initial bids that included detailed background

information on the bidding entities, proposed changes to the contract terms, and indicative pricing. Liberty received final bids on June 7, 2022. Liberty said it evaluated bids received for each customer group and chose the supplier that provided a bid that conformed to the RFP; had the lowest price; met the credit requirements described in the RFP; and passed Liberty's qualitative evaluation. After completing the bid evaluations, the Company notified the winning bidder, NextEra Energy Marketing, LLC (NextEra), and entered into a power supply agreement (PSA) with NextEra. Liberty selected NextEra as the winning bidder for both the Small Customer Group supply requirement (100% share) and for the Large Customer Group supply requirement (100% share). Both transactions are for a period of six months, August 1, 2022 through January 31, 2023, with the Large Customer supply requirement supplied in 3-month increments (August to October and November to January). The Company attached to its testimony the PSA with NextEra.

Liberty testified that the results of the RFP indicate that the market price for power for its Small Customer Group and Large Customer Group has escalated significantly. Mr. Warshaw stated at hearing that energy market volatility represents a significant factor contributing to the increase in prices compared to the same period a year ago. Liberty included an RPS compliance adder with power supply costs in its calculation of the energy service rates. The RPS compliance adder is the charge by which Liberty obtains revenue to meet its RPS obligations under RSA 362-F:3. To comply with its RPS requirements, the Company first attempts to purchase qualifying renewable energy certificates (RECs), where one REC represents one megawatt hour of power produced by a qualified renewable generation source. In December 2021, Liberty was able to contract, through an RFP process, for Class I, Class I Thermal, and Class IV RECs to meet a portion of its 2021 and 2022 RPS obligations. Effective with rates on August 1, 2022, the RPS compliance adder will be 0.781 cents for both the small and large customer groups. Liberty indicated that it had unused RECs from 2020, which were

"stranded" by recent legislative changes, the costs for which the Company plans to address in a subsequent default service proceeding.

The base load-weighted average of power supply costs for the Small Customer group for the six-month period beginning August 1, 2022, will be 20.578 cents per kWh, as compared with the current load-weighted average of 10.220 cents per kWh. For the August 1, 2021, through January 31, 2022 time period, the load-weighted average of power supply costs for the Small Customer Group was 7.440 cents per kWh. *See Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities*, Order No. 26,559 at 4-5 (December 27, 2021); Hearing Exhibit 2 at Bates Page 106.

Liberty calculates the base energy rate for both customer groups using the applicable loss factors, and then adjusts the rates by the amount of the RPS adder, the Energy Service [Reconciliation] Adjustment Factor (ESAF), and the Energy Service Cost Reclassification Adjustment Factor (ESCRAF). In this filing, the ESAF is a charge of 0.096 cents per kWh to the rates of both the Large and Small Customer Groups. The ESCRAF is a charge of 0.061 cents for the Small Customer Group and 0.250 cents for the Large Customer Group.

Liberty calculated the energy service rate for the Small Customer Group, adjusted for the RPS, ESAF, and ESCRAF components, to be 22.228 cents per kWh, an increase from the current retail rate of 11.119 cents per kWh.

For the Large Customer Group (rate classes G-1 and G-2), Liberty develops base energy rates that vary by month based on the supplier's bid and Liberty's loss factor. 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. Liberty derived the following monthly rates for customers in the Large Customer Group, per kWh:

August 2022, 18.587 cents; September 2022, 16.081 cents; October 2022, 15.134 cents; November 2022, 19.864 cents; December 2022, 34.354 cents; January 2023, 41.240 cents.

For Battery Storage/Residential EV Charging customers, Liberty calculated a Critical Peak rate of 21.739 cents per kWh, a Mid Peak rate of 10.376 cents per kWh, and an Off-Peak rate of 6.192 cents per kWh.

Liberty requested that the Commission approve its filing and allow the costs associated with the NextEra PSA to be recovered through rates. Liberty also requested that the price estimates of RECs be included in retail rates. The Company, through Ms. Tebbetts's oral testimony at hearing, indicated that it would engage in a customer-outreach effort over the coming weeks to inform customers of the upcoming significant increase in default service rates, through bill inserts and other means, along with public information campaigns regarding competitive suppliers and bill-assistance programs.

B. DOE

The DOE, in a statement made at hearing, stated that it supported the Commission's approval of the Company's default service rates as filed, as consistent with the with the settlement agreement approved in Order No. 24,577, as modified, and with the competitive market. The DOE also stated that it appreciated the Company's efforts at customer outreach regarding the impact of the increased default service rates.

III. COMMISSION ANALYSIS

We find that Liberty's solicitation and bid evaluation process conforms with Order 24,577, as modified, for the procurement of power supply for customers taking energy service from Liberty. *See also* RSA 374-F:3, V(c). We also find that the resulting rates, though reflective of current volatility in the energy market, are market-based, just, and reasonable. We find Liberty's selection of NextEra to provide power supply for the two

(Small and Large) customer groups to be consistent with prior Commission orders. We also find Liberty's price estimates of RECs, which are reconciled annually, are appropriate and approve the price estimates for inclusion in retail rates effective August 1, 2022. We will not address the question of the "stranded" 2020 RECs at the present time.

Regarding the customer impact of these substantially-increased default service rates, we support the Company's intent to vigorously pursue customer outreach and education in preparation for and during the August 1, 2022 and January 31, 2023 default service period. We require that the Company provide an overview of their associated customer outreach and education efforts, along with a review of the costs associated with such efforts, as part of the next default service solicitation petition.

The Commission also recognizes that though we do not have regulatory authority over power supply since New Hampshire's utilities divested themselves of their generation/power supply assets, the Commission has the ability to oversee the procurement process. The Commission will therefore, in addition to investigating the RPS compliance process (as introduced in Order No. 26,582), investigate procurement practices to provide a forum to challenge assumptions and evaluate potential improvements to existing processes.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreements entered into by Liberty with NextEra Energy Marketing, LLC for 100 percent of power supply requirements for the Large Customer Group and Small Customer Group customers, for the six-month period beginning August 1, 2022, are hereby APPROVED; and it is

FURTHER ORDERED, that Liberty's request to recover the costs of the power supply agreements through the proposed rates effective with services rendered on and after August 1, 2022, through January 31, 2023, is hereby APPROVED; and it is

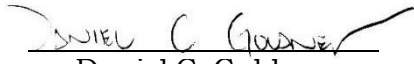
FURTHER ORDERED, that Liberty is authorized to use the price estimates of renewable energy certificates in its calculation of energy service rates; and it is

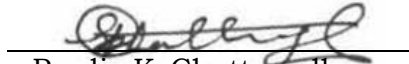
FURTHER ORDERED, that Liberty shall file conforming tariff pages, incorporating the new energy service rates, all as approved herein, within 20 days of the date of this order, consistent with N.H. Code Admin. Rules, Puc 1603; and it is

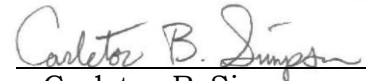
FURTHER ORDERED, that Liberty shall provide the Commission with an update regarding the Company's customer outreach and education efforts with respect to the default service rates approved herein, along with a review of the costs associated with such efforts, as part of the next default service solicitation petition; and it is

FURTHER ORDERED, that the investigatory docket as introduced in Order No. 26,582 shall further include a statewide review of electric distribution company default service procurement practices in addition to the utilities' role in RPS compliance on behalf of default service customers.

By order of the Public Utilities Commission of New Hampshire this twentieth day of June, 2022.


Daniel C. Goldner
Chairman


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket# : 22-024

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