

Liberty Utilities (Granite State Electric) Corp. and Liberty Utilities (EnergyNorth Natural Gas)  
Corp. both d/b/a Liberty

IR 22-053

Investigation of Energy Commodity Procurement  
(Renewable Portfolio Standard, Default Service Electric Power, Cost of Gas)  
Methodology and Process

NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
Request No. RR 1

Date of Response: 2/17/23  
Respondent: John Warshaw

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**REQUEST:**

I. ELECTRIC - RENEWABLE PORTFOLIO STANDARDS (RPS)

Utilities are requested to provide:

- a. The number of RECs and the associated total cost for each Rate Class (i.e., Residential/Small, Large C&I) used to meet the RPS requirements for each renewable energy source class (Class I non-thermal, Class I thermal, Class II, Class III, and Class IV) for each 6-month period over the last five years. Provide the information in live Excel format with a separate tab for each Rate Class.
- b. For the requested data in part (a) above, please also indicate for each 6-month period over the last five years, what percentage of the RPS requirement was met through Alternative Compliance Payments.

**RESPONSE:**

- a. Please see Attachment 22-053 RR 1.xlsx for the RPS REC purchases or ACPs for the years 2017 through 2021. Since Liberty's purchase of RECs to meet its obligations are done over the RPS Trading Period (July 1 to June 15) for an obligation year it has provided the information on an annual basis and not the 6-month period requested above. Liberty has not provided information for obligation year 2022 because it has not completed the purchase of RECs to meet the 2022 obligation. Liberty plans to complete its purchases by June 15, 2023.
- b. Please see the response to RR 1-a above.

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NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
Request No. RR 2

Date of Response: 2/17/23  
Respondent: James King

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**REQUEST:**

I. ELECTRIC - RENEWABLE PORTFOLIO STANDARDS (RPS)

Separate from question #5 below, please provide the 6-month average default energy service price for the Residential rate class over the last 5 years along with the corresponding: (i) RPS portion of the average default energy service price; and (ii) the Administrative and General portion of the default service price. Please provide the requested data in live Excel format.

**RESPONSE:**

Please see Attachment 22-053 RR 2.xlsx.

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NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
Request No. RR 3

Date of Response: 2/17/23  
Respondent: John Warshaw

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**REQUEST:**

II. ELECTRIC – PROCUREMENT PROCESS

Laddering

RR 3: Please comment on whether utilities should be provided flexibility to determine at any time, with proper notice to the Commission, a switch from laddering to full requirement (and vice-versa) based on future price trends to lower energy service costs for ratepayers. Participants are welcome to offer recommendations based on hypothetical scenarios.

**RESPONSE:**

Liberty believes that any proposal to vary from the currently approved procurement plans needs to be reviewed and approved by the Commission before any change is implemented. And it should be noted that flexibility to oscillate from laddering to full requirement is not something that can necessarily be accomplished immediately. The concept of laddering assumes a system of procurement over a period of time to minimize exposure to volatility. A switch from laddering to full requirement would likely have some legacy impacts until all positions procured during the laddering process have been realized.

Additionally, analyzing future price trends to chart a specific strategy to result in lower costs for customers is not an exact science. Future price trends are a reflection of the information known at the time, which includes a time premium to reflect the opportunity for increased volatility considering a whole host of technical and fundamental indicators and those indicators can change rapidly and without notice.

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Date Request Received: 2/8/23  
Request No. RR 4

Date of Response: 2/17/23  
Respondent: John Warshaw

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**REQUEST:**

II. ELECTRIC – PROCUREMENT PROCESS

Tranches

Are there ways to approach tranches (e.g., number of procurement periods, percentage of load per tranche, number of tranches etc.) differently so that the default service procurement produces more competitive prices? Please provide detailed recommendations as appropriate.

**RESPONSE:**

Any proposal to procure default service using tranches needs to reflect the specific load-serving requirements of a distribution utility. Liberty’s experience with default service procurement has indicated that a reduction in the size of the load blocks that would be necessary when dividing the total load into tranches may not result in more competitive procurements. Smaller utilities, such as Granite State, may be challenged to secure participation in its competitive supply process with even smaller load volumes (percentage of load prescription) that may not be significant enough to draw a competitive supply. However, a statewide procurement of default service by the NH-DOE, or other state organization, would probably require a change in both the procurement periods and the size and type of load blocks offered for supply and could allow for different approaches toward load tranches and procurement periods.

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NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
Request No. RR 5

Date of Response: 2/17/23  
Respondent: John Warshaw

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**REQUEST:**

II. ELECTRIC – PROCUREMENT PROCESS

Procurement Practices

Utilities are requested to comment on whether (i) there may be changes required to the electricity procurement processes to better accommodate direct electric purchases from the ISO-NE, as was recently approved by the Commission for an electric utility; (ii) all else equal, utilities expect competitive procurement results to change as a result of this authorization?

**RESPONSE:**

Liberty does not see a need to make changes to the procurement processes to accommodate direct electric purchases from the ISO-NE. Liberty views direct electric purchases from the ISO-NE as an existing option to accommodate extraordinary events during a procurement. In its Order No. 26,758 (Jan. 13, 2023), the Commission found “*acquiring power supply from the ISO-NE regional competitive market directly ... comports with the Restructuring Act, RSA Chapter 374-F, and is within the parameters contemplated in Order No. 24,577. See also RSA 374-F:3, V(c) and (d).*”

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NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
Request No. RR 6

Date of Response: 2/17/23  
Respondent: John Warshaw

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**REQUEST:**

II. ELECTRIC – PROCUREMENT PROCESS

Procurement Practices

Utilities are requested to provide the following:

- a. Comment on whether, similar to Cost of Gas filings, long-term, short-term, and peaking contracts could be designed optimally, instead of buying load every six months.
- b. Given that the current practice of using a 6-month weighted average prices may not give the exact price signals, e.g., for better conservation of energy during peak load periods, please provide an alternative approach, if any, that could potentially help generate better market signals. Please share the pros and cons of the proposed approach.

**RESPONSE:**

- a. A change in current procurement practices to a managed portfolio of resources is certainly possible, but it needs to balance the competing principles in 374-F:3.IV.(e) “*the commission may approve alternative means of providing transition or default services which are designed to minimize customer risk, not unduly harm the development of competitive markets, and mitigate against price volatility without creating new deferred costs.*” The overriding principle of electric utility restructuring in New Hampshire was to use competitive markets to reduce costs for all electric customers. Any proposed change must address the impact such a change would have on the competitive marketplace and its primary stakeholders, the customers, and suppliers of electricity.
- b. While options such as generic on-peak/off-peak time of use rates may intend to better reflect the market, the rate design may not have the intended consequence and may be better suited for a broader cost of service discussion. Furthermore, bill complexity and market signals come at the sacrifice of price predictability for customers’ budget

planning. Implementing any change to generate better market signals is broader than just the cost of the supply of default service, and could create unforeseen consequences if only the default service process is examined.

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NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
 Request No. RR 7

Date of Response: 2/17/23  
 Respondent: John Warshaw

**REQUEST:**

II. ELECTRIC – PROCUREMENT PROCESS

Procurement Practices

All utilities are requested provide 5-years historical data on prices secured through their RFP processes for each Rate Class (i.e., Residential/Small, Large C&I) along with: (i) monthly bid prices for each 6-month period; (ii) weighted average price used for the Default Energy Service Rate for the corresponding 6-month period; (ii) daily prices from the day-ahead market for the corresponding 6-month periods. Provide this data in two separate tabs using the following format in MS Excel:

TAB 1 – RESIDENTIAL/ SMALL CUSTOMERS

| <u>Month, Year</u> | <u>Monthly Bid Price</u> | <u>6-Month Weighted Average Used for Default Energy Rate</u> | <u>Monthly Market Price</u> |
|--------------------|--------------------------|--|-----------------------------|
|                    |                          |  |                             |

TAB 2 – LARGE C&I CUSTOMERS

| <u>Month, Year</u> | <u>Monthly Bid Price</u> | <u>6-Month Weighted Average Used for Default Energy Rate</u> | <u>Monthly Market Price</u> |
|--------------------|--------------------------|--|-----------------------------|
|                    |                          |  |                             |

TAB 3 – DAILY DAY-AHEAD MARKET PRICE

| <u>Day, Month, Year</u> | <u>Market Price</u> | <u>Daily Residential/Small Customer Volume (kWh)</u> | <u>Daily Large C&amp;I Customer Volume (kWh)</u> |
|-------------------------|---------------------|--|--|
|                         |                     |  |  |



Docket No. IR 22-053 Request No. RR 7

**RESPONSE:**

Please see Attachment 22-053 RR 7.xlsx.

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NHPUC Record Requests – February 8, 2023

Date Request Received: 2/8/23  
Request No. RR 8

Date of Response: 2/17/23  
Respondent: Deborah Gilbertson

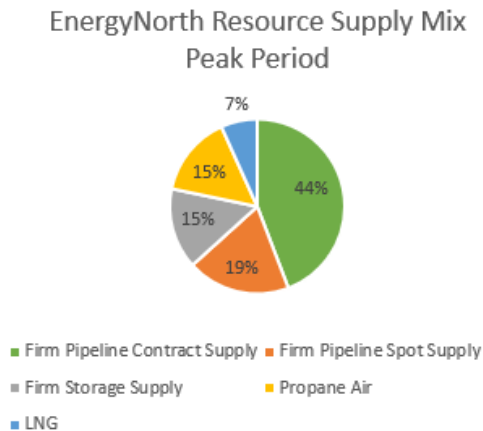
**REQUEST:**

III. GAS

- a. Please provide the Company’s portfolio (i.e., resource mix of spot purchases and all other purchases in percentages) and how it has changed over the past 5 years.
- b. Please explain how each Company determines that the portfolio resource mix is optimal and produces lower Cost of Gas rates.

**RESPONSE:**

- a. The Company’s portfolio consists of pipeline, storage, and peaking assets, though depending on the time of year the mix of these assets is very different. For example, in peak periods the company ensures it has contracted pipeline supply for approximately seventy percent of its forecasted supply needs. Having seventy percent of the pipeline assets under a secure contract (which entails releasing the pipeline asset to the contracted supplier), while retaining thirty percent of the asset, allows the Company the protection of a firm supply contract (70%), as well as the ability to seek lower cost gas in the market if it were to be available (30%).



This strategy has been consistent over the past five years.

For firm storage assets, the Company injects gas in the summer from least-cost supply points to be utilized in the peak period. One hundred percent of gas withdrawn from storage in the peak period is purchased in the off-peak season and injected into storage month over month for winter utilization.

The peaking assets, LNG and propane, are delivered by truck under contract in both winter and summer. LNG is utilized year-round due to the boil-off vapor which is captured in the Company's sendout each day. LNG deliveries are one hundred percent under contract.

Propane, on the other hand, is refilled in summer for utilization in winter. One hundred percent of summer refill is secured by contract. In the peak period, the Company solicits bids for winter propane deliveries of approximately fifty percent of average propane use. This gives the Company the security of having a contract for refill but also allows the Company to seek lesser-cost propane delivery if the opportunity exists for such. Propane contracts have must-take provisions meaning if the winter is warm, less propane will be needed. The Company is careful to not over-contract or risk paying for propane that it does not need.

Although the portfolio has changed somewhat over the past five years (i.e., obtaining 40,000 Dths of Dracut capacity through the recently approved contract with TGP) the duty and commitment to maintaining the least cost reliable service to EnergyNorth's customers have not changed

- b. For forecast planning, the Company uses the SENDOUT model to determine supply portfolio optimization, utilizing the Company's assets as described above. SENDOUT is an industry-standard optimization model that determines the most effective use of the existing portfolio of resources to meet projected load requirements in a least-cost manner based on all the details of EnergyNorth's capacity and supply contracts. The model considers the variable costs of receipt and delivery of gas within the operating constraints of the firm portfolio of assets.

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Date Request Received: 2/8/23  
Request No. RR 9

Date of Response: 2/17/23  
Respondent: Deborah Gilbertson

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**REQUEST:**

III. GAS

- a. When was Liberty’s hedging policy last updated?
- b. Does Liberty consider that its hedging policy requires updating to match latest market trends?
- c. Please provide a detailed breakdown of hedging costs over the past three years.

**RESPONSE:**

- a. Although the Company does not have a written ‘policy’ for hedging, it does perform an annual analysis of its optimization strategies including physical, financial, and asset management optimization. Last year the Company performed a review of New Hampshire hedging strategies, as compared to other territories across the country for which the Company also serves. The Company concluded at that time, that each individual portfolio requires customized methods to stabilize and reduce costs as practicable in that territory.

In New Hampshire for instance, the Company has traditionally utilized the practice of procuring a “fixed basis” physical hedge. This hedge serves to stabilize a portion of the cost of gas from Dracut, which for EnergyNorth, has the most price risk exposure. The Company also uses asset management agreements (AMA). AMAs allow the Company to receive monthly payments from the Supplier in exchange for use of the Company assets. The asset manager also guarantees a delivered supply to the Company according to the Company’s terms in the agreement.

- b. Yes, Liberty consistently looks at market trends and re-evaluates the best use of the portfolio for optimization purposes as described above.
- c. Assuming the Commission is requesting a breakdown of the hedging performance over the past three years, the chart below illustrates the outcome of the fixed basis physical

hedge program as compared to the spot cost of daily gas at Dracut, over the past three years. As shown in the chart, the program netted a cost of approximately \$4.5 million over the three-year period.

| Physical Hedge Cost vs Spot Cost |                   |                 |                   |
|----------------------------------|-------------------|-----------------|-------------------|
|                                  | 2021-2022         | 2020-2021       | 2019-2020         |
| Dec                              | \$ (1,908,744.00) | \$ (389,040.00) | \$ (409,620.00)   |
| Jan                              | \$ 3,418,170.00   | \$ (649,000.00) | \$ (2,902,060.00) |
| Feb                              | \$ (554,250.00)   | \$ 1,034,025.00 | \$ (2,187,825.00) |
|                                  | \$ 955,176.00     | \$ (4,015.00)   | \$ (5,499,505.00) |

In comparison, the Company received a total of \$9,844,478 over the past three years for its AMA programs, as follows:

| Asset Management Fees |              |              |              |
|-----------------------|--------------|--------------|--------------|
|                       | 2021-2022    | 2020-2021    | 2019-2020    |
| \$                    | 4,612,024.00 | 2,909,954.00 | 2,322,500.00 |

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Date Request Received: 2/8/23  
Request No. RR 11

Date of Response: 2/17/23  
Respondent: Deborah Gilbertson

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**REQUEST:**

III. GAS

Please provide an overview on the types of Asset Management tools that exist or are entering the market, and how those can help optimize procurement decisions for both utilities and their suppliers.

**RESPONSE:**

An asset management agreement is a negotiated contract between a supplier and the local distribution company (LDC) which pertains to the management of all or parts of that Company's portfolio. Liberty has different types of AMAs in different regions of the country.

In Liberty's Massachusetts territory, for example, the Company releases one hundred percent of its pipeline and storage assets to the asset manager. Under this scenario, as per the agreement, the Company purchases all of its pipeline gas from the one and only asset manager. The asset manager controls the use of the Company's assets, including storage, and may use those assets in any way they decide as long as they meet the required obligation of delivering gas as specified under the terms of the agreement. For this arrangement, the Company receives a flat monthly guaranteed payment.

Most of the Company's AMAs operate in this manner, offering a single monthly payment in exchange for the use of the Company assets. The Company does have one territory which offers a sharing mechanism where the Company receives a monthly fee as well as a share of the optimization which the supplier receives beyond a certain dollar amount.

In all cases, however, the AMA is a negotiated arrangement. The Company receives many different types of offers, or only one type of offer, depending upon the particular asset portfolio. It is a customized arrangement for which the supplier who has the best fit with the company's assets will likely win due to their ability to offer the best price.