

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 24-061

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

2024 Default Service Solicitations

Order Approving Petition for August 1, 2024 to January 31, 2025 Rates

ORDER NO. 27,027

June 27, 2024

This order authorizes Liberty to recover the costs of power supply through default energy service (ES, or Default Service)¹ rates for effect for the six-month period of August 1, 2024, through January 31, 2025. The updated Default Service rate is 10.976 cents per kilowatt hour (kWh) for Liberty's Small Customer Group, which includes residential customers taking Default Service from Liberty.

This ES rate includes a charge of 0.880 cents per kWh for Renewable Portfolio Standard (RPS) compliance costs. The RPS costs represent approximately 8 percent of the Default Service charges for residential customers. For a residential customer using 650 kWh per month, the result will be an increase in the monthly bill from approximately \$63.43 to \$71.34, or about \$7.92 (5.21 percent) more, compared to the six-month period ending July 31, 2024.

The Commission also approves Liberty's market-based ISO-New England procurement tranche of 20 percent of Small Customer Group load, and associated Tariff features, as initially approved by the Commission in Order No. 26,984 (March 29, 2024), in Docket No. DE 23-044. This order also requires Liberty to prepare a filing delineating how it will accommodate an expanded ISO-New England market-based

¹ The customer bill for those customers that take Liberty Default Service is composed of three parts: power supply, transmission, and distribution. The ES rates are for the power supply component only.

procurement component in its upcoming February-July 2025 Default Service, with further modifications to the proxy-price structure to be included in this proposal. The Commission also defers ruling on Liberty's proposals, presented in its Default Service filing considered here, regarding potential mid-year reconciliation adjustments going forward.

The Commission does not administratively set the prices offered by wholesale electricity suppliers operating in the regional ISO-New England market to Liberty for serving Liberty's ES load. These prices are set by the wholesale suppliers themselves, informed by the prevailing market conditions, in a competitive bidding process, where Liberty endeavors to select the least-cost supplier. The Commission does oversee this market process as part of this proceeding and approves the resultant rates under the governing statutory standards.

I. BACKGROUND AND POSITIONS

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company) made its Default Service filing pursuant to a settlement agreement (Settlement Agreement) approved in Docket No. DE 05-126, by Order No. 24,577 (January 13, 2006), as modified by Order No. 24,922 (December 19, 2008), Order No. 25,601 (November 27, 2013), Order No. 25,806 (September 2, 2015), Order No. 26,752 (December 22, 2022), and Order No. 26,758 (January 13, 2023). The Default Service energy-procurement process was most recently modified by the Commission in Order No. 26,913 (December 15, 2023), and Order No. 26,984, to incorporate the market-based procurement tranche, pursuant to a Commission directive.

This proceeding was inaugurated by the Commission's Commencement of Adjudicative Proceeding and Notice of Hearing Order issued on May 9, 2024. The Office of the Consumer Advocate (OCA) filed its letter of participation on April 16,

2024. On May 28, 2024, with a correction on May 28, 2024, to include a missing testimonial presentation, the Company filed its proposed ES Reconciliation. On June 20, 2024, Liberty filed a Petition for Adjustment to the ES Rate for effect on August 1, 2024, with supporting pre-filed testimony of Messrs. Robert Garcia, Christopher Green, and Adam Yusuf, all personnel with Liberty Utilities Service Corp., Liberty's service-company affiliate. See Hearing Exhibits 2 and 4.

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 hearing was held on June 25, 2024, as scheduled, where the Company, the OCA, and representatives of the New Hampshire Department of Energy (DOE) appeared. Liberty personnel (Messrs. Aaron Doll, Robert Garcia, Christopher Green, and Adam Yusuf) provided additional oral testimony in support of the Company's petition at hearing. Neither the OCA nor the DOE objected to the Company's request for confidential treatment.

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/2024/24-061.html>

Liberty's ES petition seeks approval of new ES rates for the six-month period beginning August 1, 2024. Liberty based its filing on the results of its Request for Proposals (RFP) solicitation issued on May 1, 2024, for power supply to serve the Company's Large and Small Customer groups. According to Liberty, the RFP was widely distributed, including to all members of the New England Power Pool (NEPOOL)

Markets Committee and was posted on the Company's website. See Hearing Exhibit 4, Green Testimony, at Bates Page 5.

On June 11, 2024, 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 18, 2024. Liberty notes that "as in recent RFPs, several bidders elected to not participate in this RFP due to portfolio constraints and the unknown effects of the New Hampshire Community Aggregation Programs." Hearing Exhibit 4, Green Testimony, Bates Page 7. 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. *Id.* The Small Customer Group supply requirement (80% share, "Block C") winning bidder was Constellation Energy Generation, LLC (Constellation), for the six-month period of August 1, 2024 through January 31, 2025; Liberty notified Constellation that it was the winning bidder, and entered into a power supply agreement (PSA) with Constellation for this ES Load. *Id.* at Bates Page 8. (The mechanics of the 20 percent ISO-New England market-based procurement tranche is discussed at length in Order No. 26,984, *passim*, and in Mr. Green's Testimony, Bates Page 6).

The Large Customer Group supply requirement (100% share) was divided by the Company into two 3-month increments (August to October, or "Block A," and November to January, or "Block B"). Constellation was the winning bidder for the Large Customer Group, Block A load, and DTE Energy Trading, Inc. (DTE) was the winning bidder for the Large Customer Group, Block B load. (Liberty's Master Power Agreements, which set the pattern for Liberty's PSA's with Constellation and DTE,

were filed with the Commission in past ES dockets). Hearing Exhibit 4, Green Testimony, at Bates Page 8.

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 May 2024, Liberty launched an RFP process for RECs to meet its forecasted 2023 and a portion of its 2024 RPS obligations. The solicitation provided a single bid for a portion of Liberty's 2024 Class I RPS obligation at a price well below the Alternative Compliance Payment level, and was accepted by the Company. Hearing Exhibit 4, Green Testimony, at Bates Page 10. Effective with rates on August 1, 2024, the RPS compliance adder will be 0.880 cents per kWh for both the Small and Large Customer Groups, which is a slight increase from the current ES rate period RPS adder of 0.851 cents per kWh. Hearing Exhibit 4, Green Testimony, at Bates Pages 9-10. Liberty plans to issue a new RPS solicitation in November 2024 to procure RECs to satisfy its 2024 RPS obligations and a portion of the Company's 2025 RPS obligations. Hearing Exhibit 4, Green Testimony, at Bates Page 11.

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). Hearing Exhibit 2, Garcia and Yusuf Testimony, at Bates Pages 74-75. The Company seeks to continue its recent practice of separate reconciliations for the Large and Small Customer Groups. *Id.* at

75-76. The Company further proposes, as part of this Default Service filing, to update its reconciliation-related rates (ESAF\ESCRAF) not only annually, as part of its June ES filings, but also mid-year, as needed, in Liberty's December filings for approval of ES rates for the February to July Default Service rate period. According to the Company, with the advent of market-based procurement processes, the "discretion to perform a mid-year adjustment to these rates would enable Liberty to avoid or address inordinately large deferral balances that may occur." Hearing Exhibit 2, Garcia and Yusuf Testimony, at Bates Page 76.

In this ES rate filing, for the ES rates to be effective from August 1, 2024, through July 31, 2025, the ESAF is a credit of 0.345 cents per kWh to the Small Customer Group rate, and a credit of 1.110 cents per kWh to the Large Customer Group rates. Hearing Exhibit 2, Garcia and Yusuf Testimony, at Bates Page 78; Hearing Exhibit 2 at Bates Page 89. The ESCRAF is a charge of 0.246 cents per kWh for the Small Customer Group and a charge of 0.377 cents per kWh for the Large Customer Group. *Id.* at Bates Page 79; Bates Page 96. Liberty calculated the ES rate for the Small Customer Group, adjusted for the RPS, ESAF, and ESCRAF components, to be 10.976 cents per kWh, an increase from the current retail rate of 9.758 cents per kWh. Hearing Exhibit 2 at Bates Page 108.

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 2024, 9.324 cents; September 2024, 7.858 cents; October 2024, 7.008 cents; November 2024, 8.629 cents; December 2024, 13.537 cents;

January 2025, 18.651 cents. Hearing Exhibit 2, Garcia and Yusuf Testimony, Bates Page 82.

Liberty requested that the Commission approve its filing and allow the costs associated with the Constellation and DTE PSAs to be recovered through rates. Liberty also requested that the price estimates of RECs be included in retail rates. The company also submitted Tariff changes related to this Default Service proposal for the Commission's review, and requested approval of same. Specifically, the Company presented technical modifications to its Tariff made pursuant to Order No. 26,984. Liberty also presented its Time of Use (TOU) rates for the Commission's approval. See Hearing Exhibit 2, Garcia and Yusuf Testimony, at Bates Pages 70-71, and 85.

For the review of the Commission and the parties, the Company provided an analytical paper (White Paper) by its consultant, Tyr Energy LLC, as originally authorized and filed in Docket No. DE 23-044, see Docket No. DE 23-044, Hearing Exhibit 17 (Hearing Exhibit 5 in this instant Docket No. DE 24-061). This White Paper provided information regarding the potential prospects of call-option pricing insurance for market-based ES procurements by the Company in future, including and pricing and ES rate-outcome analysis.

In oral testimony provided at hearing, Liberty reiterated that it sought approval of its ES rates as filed. In response to Commissioner inquiries, Mr. Doll confirmed the Company's expectation that as Community Aggregation expands in Liberty's service territory, "risk premiums" for requirements-contract prices, as compared to ISO-New England energy market prices for electricity, will increase. Liberty noted that in its service territory, the Town of Salem will be voting on whether to adopt Community Aggregation in March 2025, which would represent another 35 percent of the Company's ES load. Mr. Doll also stated that Liberty had the capability to increase the

market-based procurement percentages for both its Large and Small Customer Groups, in response to future Commission directives.

The Company also advised the Commission and parties at hearing that it had engaged in technical modifications to its Bad Debt accounting used in its ES calculations to better reflect its up-to-date corporate practice.

The DOE, in a statement made at hearing, stated that it generally supported Commission approval of the Liberty ES solicitation and the ES rates resulting therefrom as being in conformity with the Settlement Agreement, as modified, and relevant statutory standards and Commission precedent. The DOE also recommended that the Commission accept the 2023 Lead-Lag Study and related analytics submitted by the Company, subject to reconciliation, and that the proposed Default Service rates should be approved by the Commission.

The OCA stated at hearing that it supported Commission approval of the Liberty ES rate proposal.

II. COMMISSION ANALYSIS

We find that Liberty's solicitation and bid evaluation process conforms with Order No. 24,577, as modified, (most particularly by Order No. 26,984 for the market-based component), for the procurement of power supply for customers taking ES from Liberty. *See also* RSA 374-F:3, V(c). We also find that the resulting rates are market-based, just, and reasonable.

We find Liberty's selection of Constellation to provide power supply for the Small Customer Group 80 percent requirement-contract share, and for the Large Customer Group, Block A load, and DTE for the Large Customer Group, Block B load, to be consistent with prior Commission orders. We also find Liberty's price estimates

of RECs for the period, which are reconciled annually, are appropriate. Therefore, we approve the REC price estimates for inclusion in retail rates effective August 1, 2024.

We also accept the Company's 2023 ES Lead Lag Study used in the calculation of the working capital requirements for this ES filing, subject to the proviso that they are subject to reconciliation on any further review by the DOE, the Commission, and the Company itself.

The Commission again notes that although 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, to ensure robust competition and therefore help in lowering default service prices. With Community Aggregation accelerating, the decline in bid activity, as indicated by the Company in its testimony, and the wide ongoing pricing differential between requirements contract prices and ISO-New England prevailing market prices, as evidenced by Liberty's ongoing monthly reporting, the Commission believes it is appropriate to expand the market-based procurement program for the Company.

Therefore, the Company shall file, no later than August 7, 2024, a proposal for the Company's upcoming February-July 2025 Default Service period that would include the following components: (1) an ISO-New England market-based procurement tranche of at least 30 percent, with no upper bound, for the Small Customer Group, and full (100 percent) ISO-New England market-based procurement for the Large Customer Group, along the lines approved by the Commission in Order No. 26,984 and this instant Order, with the following adjustments, and with an explanation of the Company's choice of the given tranche size provided by the Company for the Small Customer Group; (2) a modification wherein the "proxy price" for the these market-

based procurement tranches for the Small Customer Group would be an average of (a) the four-year rolling weighted average of ISO-New England market prices in the New Hampshire load zone, and (b) the NYMEX futures prices for the upcoming six-month energy service period for ISO-New England; (3) a continuation of the monthly pricing approach for the Large Customer Group, with an appropriate proxy price. This proposal would be assessed by the Commission in a future phase of this proceeding upon submission by the Company. The potential for a futures-based element along the lines discussed in the Tyr Energy White Paper will be assessed by the Commission and parties in greater detail at that time.

Regarding the Company's ancillary proposals, we approve of Liberty's proposed Tariff changes to comport with the requirements of Order No. 26,984, with the advent of the market-based procurement tranche, as just and reasonable. We also approve of the Company's TOU rate proposals as just and reasonable. However, we DEFER our decision regarding the Company's request to enable mid-year (that is, December ES review period) ES reconciliation, and reconciliation rate, adjustments in Default Service going forward to the future phase of this proceeding referred to above. The Commission wishes to maintain the spreading-out of reconciliation costs in ES rates to a full 12-month cycle, and would require more information to assess the implications of mid-year reconciliation adjustments to this process.

For the Bad Debt adjustments referred to by the Company at hearing, but without specificity in its ES filing, *c.f.* Garcia and Yusuf Testimony, Bates Pages 75 and 81, we hold that these adjustments are approved on an interim basis only in this Order, and we ask that the Company provide additional written detail regarding its changes, no later than August 7, 2024, to also be assessed in the later phase of this proceeding along with the procurement-related proposals by the Company.

Also, the Commission reminds the Company to include a discrete Petition outlining the relief and/or approvals requested in its future Default Service filings.

Based upon the foregoing, it is hereby

ORDERED, that the power supply agreement entered into between Liberty and Constellation Energy Generation, LLC for 80 percent of power supply requirements for the Small Customer Group for the six-month period beginning August 1, 2024, is hereby APPROVED as filed and discussed herein above; and it is

FURTHER ORDERED, that the power supply agreements entered into between Liberty and Constellation Energy Generation, LLC, and DTE Energy Trading, Inc., for the Large Customer Group for the three-month “Block A” period of August 1, 2024 through October 31, 2024, and the three-month “Block B” period of November 1, 2024 through January 31, 2025, respectively, are hereby APPROVED as filed and discussed herein above; and it is

FURTHER ORDERED, that Liberty’s request to recover the costs of the power supply agreements through the energy service rates proposed in this filing effective with services rendered on and after August 1, 2024, through January 31, 2025, is hereby APPROVED, as filed and discussed herein above; and it is

FURTHER ORDERED, that the Liberty market-based procurement methodologies and Tariff language presented in its petition (Hearing Exhibit 2, Bates Page 85) for the upcoming default service period are hereby APPROVED; and it is

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

FURTHER ORDERED, that Liberty is authorized to use the results of the updated 2023 lead/lag study in the calculation of rates, subject any reconciliation; and it is

FURTHER ORDERED, that Liberty shall file with the Commission, no later than August 7, 2024, a proposal for an expanded ISO-New England market-based procurement approach, as delineated in this Order, for the Company's upcoming February-July 2025 energy service period, to be assessed by the Commission in a future phase of this proceeding; and it is

FURTHER ORDERED, that the Commission's decision on the Company's proposal for mid-year energy service Reconciliations is DEFERRED, as delineated in this Order, with consideration of this proposal to be made in a future phase of this proceeding; and it is

FURTHER ORDERED, that Liberty make a filing outlining its changes to Bad Debt accounting in its ES filings for final review and assessment by the Commission in a future phase of this proceeding no later than August 7, 2024; and it is

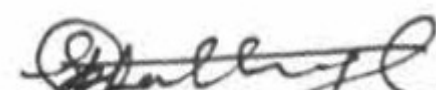
FURTHER ORDERED, that Liberty, for this upcoming default service rate period, is to continue to file in this docket, by the 30th day of the following month, a summary comparison of the monthly average ISO-New England market electricity prices with the power supply charge components for Liberty's Small Customer Group; 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.

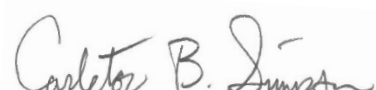
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 24-061

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