

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty

INV 2023-001

DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-1

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Please quantify how many bidders participated in your utility’s New Hampshire default energy procurements, as well as that of your affiliates in other states, for the past five years.

RESPONSE:

Liberty-Granite State is the only Liberty affiliate that participates in a default service process.

Below is a quantification of bidders for the past 5 years:

RFP Date	Large Customer Group - Block A	Large Customer Group - Block B	Small Customer Group
06/12/2018			
12/04/2018			
06/11/2019			
12/10/2019			
06/16/2020			
12/01/2020			
06/08/2021			
12/14/2021			
06/07/2022			
12/13/2022			
06/14/2023			

The marked figures above is information that is “confidential, commercial, or financial information” and is thus protected from disclosure by RSA 91-A:5, IV, and presumed to be confidential in default service proceedings pursuant to Puc 201.06(a)(15). Therefore, pursuant to that statute and Puc 203.08(d) and Puc 201.01.06(a)(11)(g) (protecting “responses to data

requests related to a. through f. above”), the Company has a good faith basis to seek confidential treatment of this information and asserts confidentiality pursuant to those rules.

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DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-2

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Please comment and quantify, to the degree and extent possible, how community power aggregation has impacted bidder participation in your utility's past solicitations, as well as estimate its impact on future solicitations.

RESPONSE:

At this time, the Company does not have enough information regarding community power aggregation from its suppliers to form an opinion on the program's impact on bidder participation. In the most recent RFP process, one supplier reached out with questions regarding the community power aggregation program to better understand the process and potential risks. While the program may have impacted that bidder's overall bid numbers, it did not impact their participation as they did submit bids. We did not hear from non-participating suppliers, one way or the other, whether community power aggregation impacted their decision to not bid. The Company does not have sufficient information to form an opinion on community aggregation's impact on future solicitations.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-3

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

In your opinion, if a utility were to purchase all of its default energy service from the Day Ahead (DA) and Real Time (RT) ISO-NE Energy markets, please describe potential changes in the Company's business processes, operations, rate-making, and regulatory relations that might occur. For example, the DOE understands that ISO-NE bills energy market participants two times per week for energy purchased directly from the market whereas under the current energy procurement paradigm, utilities pay energy suppliers once per month for energy provided through default service contracts. Therefore, if the utility were to procure all of its customers' default energy service via the DA and RT markets there may be changes in cash flow requirements, business risk profile, and/or financial rating. Please discuss the implications of this and other possible business impacts were the energy procurement model to change.

RESPONSE:

Purchasing default energy service from the market would require a few shifts to the current business processes adopted by Liberty Utilities (Granite State Electric) Corp. From a market and operations perspective, the Company has already made the necessary business process adjustments to accommodate the failed RFP for the Large Customer group for operating months February through April of 2023. This required the Company to utilize Enverus forecasting software for a daily load forecast and, due to the compressed timing, a consultant was hired to do shadow calculations used to compare with the bi-weekly ISO bill. During the month an employee was required to submit a daily bid for load, validate forecast accuracy, process bi-weekly bills to send to accounting, and the consultant created a settlement report utilized by the group on a daily basis. The Company was able to serve the customers in that block without incident.

Rate-making:

- The Company does not foresee a substantive change in the rate-making methodology associated with a change in purchase methodologies. It would likely continue to use a reconciling mechanism to pass through energy costs to customers. However, due to potential rate fluctuations associated with market volatility, utilities may have to adjust

rates more frequently, similar to the Commission-approved process allowing utilities to adjust natural gas prices monthly.

Working Capital:

- Working capital is a very small component of the energy service rate and any change would not cause a noticeable impact on the rate.

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DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-4

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Auction structures can create different outcomes. What, in your opinion, are the relative advantages of sealed bid, descending clock, and reverse auctions as they apply to default energy service procurement?

RESPONSE:

To date, Liberty has only participated in sealed bid auctions, therefore, we can only address the theoretical benefits of descending clock and reverse auctions.

Sealed auctions occur when suppliers submit a single blind bid during a bidding window. Once submitted, there is no ability to submit more competitive bids, which encourages suppliers to submit original bids that are an accurate reflection of the market and its perceived risks. This process ought to benefit buyers as bids must be competitive as bidders do not know pricing or bid strategy of other auction participants.

Similar to sealed auctions, reverse auctions involve the submission of bids from suppliers. However, unlike sealed auctions, reverse auctions are based on open bidding concepts that allow bidders to see their competitors' bids and submit new, more competitive bids during the bidding window. This process theoretically benefits buyers as open competition moves bidders toward lower cost.

Similar to reverse auctions, descending clock auctions are designed for bidders to acknowledge a range of costs at which they are willing to offer services. However, unlike reverse auctions, descending clock auctions are buyer driven. As auction rounds progress, buyers present a cost and bidders drop out as the presented costs move below their lowest dollar offer. This process theoretically results in increased bid transparency, a benefit to buyers, as price results from the lowest acceptable offer rather than bidders' desired price.

Note, however, that both reverse and descending clock auctions are more dependent on active competition. Since Liberty has noticed a decrease in supplier auction participation over recent years, the Company prefers the sealed bid auction that is less dependent on active competition.

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DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-5

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

In your opinion, what differentiates the default service products of one utility to the next? Are there legal requirements placed on your company that would not apply to other New Hampshire utilities? If so, what are the impacts of these requirements?

RESPONSE:

Liberty believes there is no inherent difference in the default service products provided to utilities. However, while utilities all receive the same product, the difference lies in how products are priced and distributed. Several factors can impact a provider's ability to offer and distribute default service products. Larger companies can divide customer groups into multiple tranches theoretically creating lower risk for suppliers which in turn leads to lower prices. By splitting customer groups into smaller subgroups, multiple suppliers can serve smaller sections of load for the utility compared to serving a utility's entire load. Additionally, something as simple as the timing of Requests for Proposal (RFP) can impact pricing offered to utilities. The further an RFP is sent out prior to date of service, the higher the risk of changing price forecasts, resulting in suppliers being required to cushion bids to give flexibility for forecast adjustments.

The legal requirements placed on Liberty for its default service process arise from the following orders: Order No. 24,577 (Jan. 13, 2006), Order No. 24,922 (Dec. 19, 2008), Order No. 25,601 (Nov. 27, 2013) and Order No. 25,806 (sept. 2, 2015). It is Liberty's understanding that the processes of the other utilities were similarly developed through utility-specific proceedings, agreements, and orders. Liberty has not compared the requirements governing Liberty versus the requirements governing the other utilities.

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DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-6

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

In your opinion, if a utility were to procure energy in the DA market, what additional wholesale market costs would be incurred? What market products are not included in real time energy prices (e.g. capacity costs, reserves, regulation, forward reserves, etc.) whose prices would need to be included in the final cost to customers?

RESPONSE:

If a utility were to procure energy in the DA market, customers would incur all costs to serve respective load, including the following:

- any imbalance from the DA market resulting from forecast to load deltas;
- costs related to regulation, capacity costs, reserve markets, and price responsive demand products, such as Mystic Cost of Service and ordinary ancillary costs required to allow the market to operate efficiently and reliably;
- the price to customers must be adjusted to include Net Commitment Period Compensation (“NCPC”), a DA and RT product where other market participants who benefited from their generation operating out of merit provide compensation back to the market;
- miscellaneous credits and charges such as inadvertent energy, marginal loss revenue fund, financial transmission rights, auction revenue rights, and ISO Tariff Schedule 2 and 3 expenses; and
- New non-energy products may be created to address Market needs of the Independent System Operator (ISO) and thus this list would continue to evolve as the ISO evolves.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-7

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

If no bids are received for an RFP, what next steps would you propose to the Commission? For example, would you recommend rerunning the same RFP, change the RFP parameters, or seek to procure directly from the wholesale markets?

RESPONSE:

In the Company's winter solicitation addressed in Docket No. DE 22-024, the Commission directed the Company to re-run the auction for one commercial block because the Company did not receive adequate bids after the first RFP, and, when no acceptable bids were received after the second RFP process, the Commission then approved Liberty serving that block from the wholesale market.

Going forward, unless ordered by the Commission otherwise, Liberty would prefer not to re-run the same RFP or change RFP parameters. The Company would seek Commission approval to go directly to the wholesale market if an RFP results in no bids or bids that do not meet the RFP parameters.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-8

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

In New Hampshire or other jurisdictions, have you experienced different procurement results, such as different pricing outcomes or increased/decreased numbers of bids, with varying tranche sizes? If so, please explain.

RESPONSE:

Liberty Utilities (Granite State Electric) Corp., is the smallest of New Hampshire's three investor-owned electric utilities. To give perspective, 100% of load to serve Liberty's Small Customer Group is less than 12.5%, or one Small Customer Group tranche, of Eversource in New Hampshire. Due to the size of Liberty's load blocks, Liberty's RFP process has not used varying tranche sizes and subsequently has not experienced different procurement results that might be impacted by this approach.

Liberty's affiliates that operate in other jurisdictions are either vertically integrated or rely on long-term full-service requirement contracts and thus do not provide a meaningful comparison.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-9

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Please describe the method used to calculate the expected price outcomes going into a procurement. What do you do if results significantly differ from these expected price outcomes?

RESPONSE:

Liberty's Energy Supply Services ("ESS") department is responsible for the calculation of expected price outcomes used for comparison with suppliers' indicative and final bids. ESS begins with a base level cost (\$/MWh) determined by both on-peak and off-peak electric futures published by the NYMEX. A premium bid factor, based on prior RFPs' actual pricing to forecasts, is layered with the base level cost for each rate group. Additional ESS forecasts including adders such as expected FCM, ancillary services, and Mystic Cost of Service, are included in the model.

If RFP results significantly differ from Liberty's expected price outcomes, the Company will use its best judgment to propose a solution for which it would seek approval from the Commission, as was done in Docket No. DE 22-024.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-10

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Describe generally, and include specific examples if available, how you determine if a particular RFP or auction meets your definition of a “failed auction.”

RESPONSE:

Liberty defines a failed auction as a whole RFP or RFP block where no conforming bids are received. Liberty’s December 2022 RFP for the February 2023-April 2023 service period received no conforming bids for the Large Customer Group Block A, resulting in a failed auction for that customer class.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-11

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Please describe default service procurement practices in other regulatory jurisdictions in which you operate, where applicable. How do the length of contracts, frequency of RFPs, and quantities procured differ?

RESPONSE:

Liberty Utilities (Granite State Electric) Corp., is the only Liberty affiliate that engages in default service procurement.

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DOE Energy Procurement Investigation

DOE SET 1 QUESTIONS

Date Received: 7/6/23
Request No. DOE IQ 1-12

Date of Response: 7/28/23
Respondent: Christopher Green

REQUEST:

Please describe the role of a third-party procurement manager in other jurisdictions in which you operate and explain how such an entity would interact with the procurement process in New Hampshire.

RESPONSE:

Liberty Utilities (Granite State Electric) Corp., is the only Liberty affiliate that engages in default service procurement. At this time, the Company does not use a third-party procurement manager.