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**GRANITE STATE ELECTRIC COMPANY
CONCORD ELECTRIC COMPANY EXETER AND HAMPTON ELECTRIC COMPANY
CONNECTICUT VALLEY ELECTRIC COMPANY**

**In The Matter of the Implementation of the
Electricity Consumption Tax**

**Prehearing Conference Order
Order Establishing Temporary Rates**

O R D E R N O. 23,743

July 23, 2001

I. BACKGROUND

On April 30, 2001, the Commission issued Orders of Notice in these dockets (Order Nos. 23,694, 23,695 and 23,696) requiring that effective May 1, 2001, pursuant to the provisions of RSA 83-E:2 and RSA 83-E:3, an electric consumption tax of \$.00055 per kWh was to be collected and remitted to the state by the following companies: Granite State Electric Company (GSEC), Connecticut Valley Electric Company (CVEC), Concord Electric Company (CEC) and Exeter & Hampton Electric Company (EHEC). Each Order of Notice also ordered that a prehearing conference and hearing on temporary rates, pursuant to RSA 378:27, be held to consider the fixing of rates until all issues concerning the implementation of the consumption tax were resolved. On May 11, 2001, the duly noticed hearing was held.

II. POSITIONS OF THE PARTIES

CVEC: CVEC noted that the implementation of the Consumption Tax, along with the simultaneous elimination of the Franchise Tax, created a liability for the company under the Business Profits Tax. The Franchise Tax had been a credit against the Business Profits Tax; therefore its elimination created the liability. CVEC proposed an implementation methodology which also addressed the company's ability to collect for this new liability. CVEC stated that temporary rates can and should be established for any additional tax liability as of May 1st, since all of these taxes make changes on that date.

GSEC: GSEC similarly noted the elimination of the Franchise Tax and creation of a new Business Profits Tax liability and pointed out that each utility may also incur unique tax effects due to the various corporate structures and affiliate relationships and transactions of each utility. GSEC also discussed informing customers of the tax change, and the utilities' obligations to work with the Department of Revenue Administration in collecting the tax from customers who self-generate some or all of their electric requirements. GSEC Stated that it would support the Commission's

establishment of temporary rates effective May 1, to address the elimination of the Franchise Tax and the imposition of the Consumption Tax.

CEC and EHEC: Counsel for both companies echoed the comments of CVEC and GSEC, stating that the collection of the Electricity Consumption Tax has no impact on the companies' revenues, as it is a straight pass-through, and the amounts collected are then remitted to the Department of Revenue Administration. The elimination of the Gross Receipts Franchise Tax and addition of the Business Profits Tax results in a net decrease in the Company's tax liability, and the combined impact of all three changes would be a slight decrease in customer bills. CEC and EHEC did not object to the setting of Temporary Rates as of May 1, 2001.

Staff: Staff's initial analysis of the issues was similar to those of the Companies. Staff sought to verify the proper collection and pass-through of the Consumption Tax; the removal of the collection for the Franchise Tax by each utility; and the effect of this removal on the companies' overall tax liabilities. On the question of temporary rates, Staff noted that it serves to protect both the companies and the ratepayers in this instance, if an adjustment is required

once the methodologies are approved.

III. COMMISSION DISCUSSION

RSA 378:27 provides that in any proceeding involving the rates of a public utility, the Commission may, after notice and hearing, and if the public interest requires, fix the rates as temporary for the duration of the proceeding. Temporary rates may be fixed at any time on or after the date on which the utility files its underlying request for a change in its permanent rates. *Appeal of Pennichuck Water Works*, 120 N.H. 562, 567 (1980). The Commission agrees with the parties that it is consistent with the public interest to set rates for each company as temporary as of May 1, 2001, so as to allow a reconciliation to that date once the technical questions regarding implementation of the tax changes at issue are resolved and the methodologies approved.

Based upon the foregoing, it is hereby

ORDERED, that the rates of Granite State Electric Company, Connecticut Valley Electric Company, Concord Electric Company and Exeter & Hampton Electric Company are fixed as Temporary Rates pursuant to RSA 378:27 as of May 1, 2001.

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By order of the Public Utilities Commission of New
Hampshire this twenty-third day of July, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary