

DE 01-096

GRANITE STATE ELECTRIC COMPANY

In The Matter Of The Implementation Of The
Electricity Consumption Tax

Order Approving Stipulation

O R D E R N O. 23,745

July 26, 2001

APPEARANCES: Gallagher, Callahan and Gartrell by Seth L. Shortlidge, Esq. for Granite State Electric Company; and Gary Epler, Esq., General Counsel for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On April 30, 2001, the New Hampshire Public Utilities Commission (the Commission) issued an Order of Notice in this docket (Order No. 23,694) requiring that effective May 1, 2001, pursuant to the provisions of RSA 83-E:2 and RSA 83-E:3, an electricity consumption tax of \$.00055 per kWh was to be collected and remitted to the state by Granite State Electric Company (GSEC). That 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. The Commission also provided that the same issues in Dockets DE 01-097, Concord Electric Company and Exeter and Hampton Electric Company, and DE 01-098, Connecticut Valley Electric

Company, be heard at the same time. On May 11, 2001, the duly noticed hearing was held. On June 15, 2001, GSEC submitted a Motion for Confidential Treatment with respect to certain documents associated with the company's response to Staff Data Request 1-1. On July 23, 2001, the Commission issued Order No. 23,743, approving temporary rates for GSEC and the other companies, pending an investigation into the technical aspects of the implementation of the consumption tax, the repeal of the franchise tax, and the resulting impacts on the Business Profits Tax liability of the company.

II. POSITIONS OF THE PARTIES AND STAFF - STIPULATION

AGREEMENT

On July 24, 2001, a hearing was held to consider a Stipulation Agreement between the Company and Staff to resolve all the issues in this docket. The Commission provided approval from the bench for GSEC's Motion for Confidential Treatment as filed on June 15, 2001. Mike LaFlamme, Manager of Distribution Financial Analysis for National Grid USA, GSEC's parent company, presented the Stipulation Agreement. The Agreement provides for elimination of the franchise tax from all of the Company's unbundled charges, increasing distribution charges to all rate classes by \$0.00057 per kilowatt-hour to reflect: 1) the incremental base rate tax

expense associated with the elimination of the franchise tax and its associated credit against the Company's business profits tax liability; 2) the elimination of affiliate company purchases of GSEC's excess franchise tax credits; 3) the recognition and recovery over a ten-year period of GSEC's net deferred state tax deficiency associated with the loss of the franchise tax credit against the Company's business profits tax liability; 4) the increased business profits tax rate of 8.5%; and 5) the reconciliation of the temporary rates approved by the Commission in this proceeding. The total effect of these changes on customer rates is a slight decrease overall, as shown by rate class on Attachment 6 to the Stipulation.

III. COMMISSION ANALYSIS

We have reviewed the Stipulation submitted at hearing in this matter, and find it an acceptable resolution of the matters associated with the implementation of the Electricity Consumption Tax under RSA 83-E, and the simultaneous elimination of the franchise tax. Our prior approval of temporary rates for GSEC, and the reconciliation provided for in the stipulation, resolves the issue of ending collection of the franchise tax and providing a return of those dollars to customers. The implementation of a factor to

GSEC's distribution charges to recover business profits tax the Company will now be liable for is similar to the methodology this Commission approved for recovery of the franchise tax when it was re-instituted in 1993.

Based upon the foregoing, it is hereby

ORDERED, that the Stipulation Agreement submitted in this proceeding by GSEC and Staff, providing for elimination of the franchise tax from all of GSEC's unbundled rates and implementation of a charge to recover business profits tax liability and temporary rate recovery, is approved; and it is

FURTHER ORDERED, that GSEC file, within five days of the date of this Order, applicable tariff pages with the Commission implementing this Order and the Stipulation; and it is

FURTHER ORDERED, that GSEC's Motion for Confidential Treatment filed on June 15, 2001 is approved.

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

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary