

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-327

GRANITE STATE ELECTRIC COMPANY d/b/a LIBERTY UTILITIES

Annual Retail Rate Adjustment Filing

Order Approving Rate Adjustments

ORDER NO. 25,611

December 23, 2013

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; the Office of Consumer Advocate by Susan W. Chamberlin, Esq. on behalf of residential customers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On November 21, 2013, Granite State Electric Company d/b/a Liberty Utilities (Liberty or Company) filed a request for approval of retail rate adjustments related to its stranded cost charge, its transmission service charge and its GreenUp (GreenUp) Service Recovery Adjustment (GSRA) factor for effect with service rendered on and after January 1, 2014. Liberty calculated the aggregate impact of the rate changes for a residential customer using 675 kilowatt hours (kWh) in default service, the average residential customer usage for the 12 month period ending October 31, 2013, would be a monthly bill increase of \$1.29, or 1.15%, from \$112.50 to \$113.79.

Liberty's stranded cost charge recovers the Contract Termination Charge (CTC) billed by New England Power Company (NEP) in connection with the termination of NEP's all-requirements power contracts with National Grid prior to the advent of retail competition in the

Company's service territory. The Commission approved the applicable recovery mechanism in *Granite State Electric Company*, Order No. 23,041 (October 7, 1998) 83 NH PUC 532. Liberty Utilities acquired Granite State Electric Company and related obligations from National Grid. See Order No. 25,370 (May 30, 2012).

Liberty's transmission service charge adjustment (TSCA) includes costs that the Company incurs in providing transmission service. Through the TSCA, Liberty recovers costs billed to it by the Independent System Operator-New England (ISO-NE) and NEP through the ISO-NE Transmission, Markets and Services Tariff.

GreenUp is an optional market-based renewable energy service offering instituted by Liberty to comply with RSA 374-F:3, V(f). The Commission approved GreenUp and Liberty's use of the GSRA in Order No. 25,101 (May 7, 2012).

On December 2, 2013, the Commission issued an Order of Notice scheduling a hearing for December 19, 2013. On December 4, 2013, the Office of Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28. Liberty filed a corrected tariff page on December 6, 2013. The hearing was held as noticed.

II. POSITIONS OF THE PARTIES

A. Liberty Utilities

1. Stranded Cost Adjustment Charge

Liberty testified that the proposed stranded cost charge consists of two components: (1) a uniform per kWh charge it collects from all customers reflecting the CTC assessed by NEP, and (2) rate-class specific adjustment factors reflecting the reconciliation of any excess or deficiency in stranded cost recovery from that rate class in the prior year. Liberty testified that the proposed

adjustments comply with its tariff, which provides for adjustments to the stranded cost charge as a result of any changes in the CTC assessed by NEP as well as the rate-specific reconciliation described above. The Company's filing proposes to decrease the uniform stranded cost charge from 0.150 cents per kWh to 0.080 cents per kWh (excluding rate class-specific adjustment factors) for the period beginning January 1, 2014. Although Liberty indicated in pre-filed testimony that NEP would file the CTC report on or around December 1, 2013, at hearing the Company said that the report would likely be filed at the end of January.

2. Transmission Service Cost Adjustment

The filing includes a change in transmission-related rates for costs incurred by Granite State and recovered through the TSCA in its tariff. The Company testified that base transmission rates are established annually based on a forecast of transmission costs incurred by the Company to provide transmission service to its retail delivery service customers. To obtain transmission service, the Company enters into service agreements with entities authorized by the Federal Energy Regulatory Commission (FERC) to provide transmission service in New England.

NEP and ISO-NE assess transmission service charges to Liberty to cover the cost of providing transmission over regionally networked facilities, more commonly known as Pool Transmission Facilities (PTF) or bulk transmission facilities. The service provided over these facilities is referred to as Regional Network Service (RNS). The ISO-NE RNS rate recovers RNS costs on a regionalized basis, and is determined annually based on an aggregation of the transmission revenue requirements of each transmission owner in New England, calculated in accordance with a FERC-approved formula. The Company is also billed for transmission over

NEP's local transmission facilities, considered non-PTF facilities. The service provided over the Non-PTF is referred to as Local Network Service (LNS).

Through the TSCA, the Company is permitted to recover costs billed to it by ISO-NE and NEP. The TSCA permits full reconciliation of transmission revenue and expenses, including adjustments for any over- or under-recovery of transmission costs from prior reconciliation periods. The 2013 reconciliation reflects actual transmission expenses for the period October 2012 through September 2013. To more accurately reflect and match transmission revenue with expenses, the September 2013 usage that was billed in October 2013 is included in this year's reconciliation.

Liberty's proposed transmission service charge for 2014 consists of two components: (1) a uniform transmission service adjustment factor of 0.022 cents per kWh which is the reconciling mechanism in the transmission service charge, and (2) an average transmission service rate of 1.948 cents per kWh that varies by rate class. The Company's estimated 2014 transmission service adjustment factor of 0.022 cents per kWh reflects a transmission service under-collection of \$216,303 from the prior reconciliation period. The factor was calculated by dividing the under-collection of the transmission service expense at September 2013 by the forecasted 948,267,138 kWh sales for 2014.

Liberty calculated an average proposed transmission service rate of 1.948 cents per kWh, an increase over the current effective average transmission rate of 1.797 cents per kWh. The Company testified that the increase results from an increase from the prior year forecast of transmission expense, primarily due to an additional \$1,958,293 in ISO-NE RNS charges based on the PTF transmission plant investment forecast to be "in-service" or under construction in

2014 across New England. In addition, Liberty's LNS charges are estimated to decrease by \$762,163 due to the forecasted decrease in NEP's overall revenue requirements. The Company testified that, according to forecast, an estimated \$907 million of PTF plant additions will occur in 2014. According to the Company, the three largest transmission projects in New England with in-service dates during 2014 are (1) Central Maine Power's Maine Power Reliability Program, (2) National Grid's and Northeast Utilities' New England East-West Solution, and (3) a number of Northeast Utilities' transmission upgrades. Liberty said that the forecast anticipates a similar level of investment in transmission through 2017.

Liberty proposed the estimated transmission service adjustment factor and the transmission service rate for effect for service rendered on and after January 1, 2014, applicable to all customers taking transmission service through Liberty.

3. GreenUp Recovery

Liberty explained that, as approved by the Commission in Order No. 25,101 (May 7, 2010), the Company offers GreenUp as a market-based, renewable tariff-based option for residential and small default service customers. According to the Company, the GreenUp Service Recovery Provision provides for reconciliation of administrative costs incurred by the Company for providing GreenUp in accordance with RSA 374-F:3, V(f). The GSRA factor is a uniform cent per kWh factor applicable to all kilowatt-hours delivered by the Company to customers taking retail delivery service under each of the Company's rates.

Under the GreenUp tariff, the GSRA factor is established annually based on a forecast of GreenUp administrative costs and should include full reconciliation for any over- or under-recoveries occurring in the prior year. Liberty explained that within the first year of the program,

the Company experienced an over-recovery of \$12,000 which reduced the factor to zero. The over-recovery was carried forward to 2012; effective January 1, 2013, the Company implemented a GSRA credit of (0.001) cents per kWh to refund the remaining balance of \$10,937. The Company now proposes to change the uniform GSRA to zero even though the balance is \$3,797 because the over-recovery is so low the calculated GSRA factor ($\$3,797/948,267,138$ kWh) is zero. Liberty testified that it did not forecast any 2014 administrative costs for GreenUp program because the Company had requested authorization to discontinue the program in its pending distribution rate case (Docket No. DE 13-063) due to very low customer response.

At hearing, Liberty testified that it would be seeking Commission authority to terminate GreenUp outside of the rate case. The Company explained that it was in the process of establishing software requirements associated with the cutover of customer service from National Grid to Liberty. The Company stated that there are additional programming costs related to GreenUp and to avoid these costs, the Company would need to terminate the program on a more accelerated basis than could be accomplished in the rate case. Liberty said that as a result of this development, it would be making a separate filing to allow for an expedited decision from the Commission regarding the termination of GreenUp.

The Company requested that the Commission approve the retail rate adjustments contained in its November 21, 2013 filing and issue an order for effect January 1, 2014.

B. Office of Consumer Advocate

The OCA urged the Commission to require Liberty in further retail rate reconciliation filings to apply interest to any over-recoveries that it experiences in the recovery of transmission

costs in order to benefit customers. The OCA said that otherwise it had no objections to the Company's filing.

C. Commission Staff

Staff stated that it had reviewed the filing and that the rates were appropriately calculated in a manner consistent with prior filings and that the forecasted costs were reasonable. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to determine whether rates charged to retail utility customers in New Hampshire are just, reasonable and lawful. RSA 374-F:4, VIII(a) further authorizes the Commission to "order such charges and other service provisions and to take such other actions that are necessary to implement [electric industry] restructuring and that are substantially consistent with the principles" set forth in RSA 374-F. Among the principles relevant to this proceeding are the objectives of providing "clear price information on the cost components of generation, transmission, distribution and any other ancillary charges" pursuant to RSA 374-F:3, III, and recovery of stranded costs through "a non-bypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, [and] consistent with the promotion of fully competitive markets" pursuant to RSA 374-F:3, XII(d).

The underlying policy determinations relevant to this proceeding were made in *Granite State Electric Co.*, Order No. 23,041 (October 7, 1998) 83 NH PUC 532, approving the rate adjustment mechanisms reflected in the Company's current proposal. Each component charge, however, deserves some discussion.

First, we address the proposed stranded cost charge. Liberty proposes to decrease the stranded cost charge from 0.150 cents per kWh to 0.080 cents per kWh. When the annual CTC reconciliation report is filed, we direct Staff to review the proposed stranded cost charge. In the event that an adjustment is required, the Company will reflect the adjustment in its CTC reconciliation account and incorporate it into its CTC filings for 2014. On the foregoing basis, we conditionally approve the proposed stranded cost charge subject to our review of Staff's recommendations regarding the calculations presented in the final CTC report.

The proposed average transmission service charge of 1.970 cents per kWh incorporates two components. Specifically, the transmission service adjustment factor of 0.022 cents per kWh reflects an under-recovery of \$216,303 in transmission expense, and the average transmission service rate of 1.948 cents per kWh represents the forecasted rate calculation of transmission expenses for 2014. According to Liberty, the largest increase in its average transmission service rate is \$1,958,293 for RNS transmission charges based on the PTF transmission plant investment forecasted to be "in-service" in 2014 across New England. The PTF expenses are incorporated into the overall RNS charges which, in turn, are reflected in charges to Liberty.

The transmission service costs in question are derived from FERC-approved tariffs and subject to FERC jurisdiction. These costs are then applied in accordance with the rate mechanism approved in Order No. 23,041. Accordingly, we approve Liberty's request to increase the average transmission service rate to 1.948 cents per kWh as of January 1, 2014. We also approve the Company's request to change the transmission service adjustment factors to 0.022 cents per kWh for the various rate classes as proposed in its November 21, 2013 filing.

Finally, we approve Liberty's proposed GSRA factor of 0.000 cents per kWh in connection with GreenUp. We note that the Company has indicated that GreenUp, which is an offering made pursuant to RSA 374-F:3, V(f), has low customer participation and agree that it is appropriate to reduce the GSRA factor to zero to customers beginning with rates effective January 1, 2014. We understand that the Company will be filing a request to terminate the program in order to avoid programming costs associated with the cutover of customer services from National Grid.

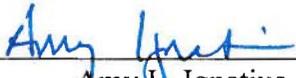
With the combined changes in this rate, a residential customer using 675 kilowatt hours (kWh) in default service, the average residential customer usage for the 12 month period ending October 31, 2013, will experience a monthly bill increase of \$1.29, or 1.15%, from \$112.50 to \$113.79. We note that most of the increase is due to the increase in transmission costs anticipated for 2014, and that these costs are passed through to Liberty through FERC-approved tariffs. Consequently, Liberty has very little influence over the rates. We find that the resulting rates are just and reasonable and in the public interest and, on that basis, we approve the filing.

Based upon the foregoing, it is hereby

ORDERED, that, as detailed above, the retail rate adjustments and adjustment factors proposed by Granite State Electric Company d/b/a Liberty Utilities in its filing of November 21, 2013 are hereby APPROVED effective January 1, 2014; and it is

FURTHER ORDERED, that Granite State file appropriate tariff changes that conform to this Order within 30 days hereof pursuant to N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-third day of
December, 2013.

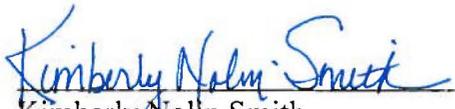


Amy D. Ignatius
Chairman



Robert R. Scott
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary