

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

DATE: December 31, 2012

AT (OFFICE): NHPUC

FROM:

*SEM*  
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Utility Analyst III

*GSW*

SUBJECT: DE 12-348, New England Power Company 2012 Reconciliation of Contract Termination Charge to Granite State Electric Company

TO:

Commissioners  
Debra A. Howland, Executive Director

On November 27, 2012, in DE 12-341, Granite State Electric Company d/b/a Liberty Utilities (Liberty or Company) filed a request for approval of certain retail rate adjustments to its stranded cost, transmission service and GreenUp Recovery Adjustment charges for effect on January 1, 2013. In its filing, Liberty proposed to increase its average stranded cost charge from 0.090 cents per kWh to 0.150 cents per kWh. The stranded cost charge permits Liberty to recover Contract Termination Charges (CTC) billed to it by New England Power Company (NEP) in connection with the termination of NEP's all-requirements power contracts with National Grid, now Liberty Utilities,<sup>1</sup> upon the advent of retail competition. On December 3, 2012, National Grid filed NEP's reconciliation of the costs and revenues under its CTC formula for the prior period October 1, 2011 through September 30, 2012 (Docket No. DE 12-348). According to National Grid, the CTC report supports the stranded cost charge of 0.150 cents per kWh for 2013. The proposed rate of 0.150 cents per kWh is an average rate; the stranded cost charge also includes class-specific adjustment factors to reflect class-specific reconciliations, where necessary.

The Commission conditionally approved Liberty's Stranded Cost Charge of 0.150 cents/kWh in DE 12-341, Order No. 25,446, dated December 27, 2012. In that Order the Commission stated:

"We direct Staff to file a summary and recommendation following its review of the CTC reconciliation and report. In the event that an adjustment is necessary based on Staff's review, the Company will make the required adjustment in its CTC reconciliation account and incorporate it into its CTC filings and stranded cost rate for 2013. On the foregoing basis, we conditionally approve the proposed stranded cost charge subject to the review to be undertaken in DE 12-348."

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<sup>1</sup> On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which Liberty Energy Utilities (New Hampshire) Corp. acquired Granite State Electric Company and EnergyNorth Natural Gas, Inc. from National Grid.

Pursuant to the Commission's Order, Staff has reviewed the details supporting NEP's proposed stranded cost charge in DE 12-348. Based on its review, Staff has determined that the documentation provided by NEP supports the proposed 0.150 cents/kWh stranded cost charge and that no adjustments are required at this time. Therefore, Staff recommends that the Commission close this docket.

One item of note though relates to estimated nuclear decommissioning costs that will be charged to Liberty in future years. The estimated decommissioning costs for the Yankee Companies (i.e., the Connecticut, Massachusetts and Maine Yankee units) have only been approved by FERC through 2010. As a result, beyond 2010 these estimated costs are reported by NEP at zero in its CTC supporting schedules because they differ from the estimated decommissioning costs approved by FERC in the 2005 CTC Settlement Agreement, and revising those estimates would require reopening the 2005 Agreement for FERC approval. Nevertheless, the actual nuclear decommissioning costs for the current year are included in the rate proposal being approved by the Commission. Liberty's share of the current nuclear decommissioning costs for 2012 (October 2011 through September 2012) is approximately \$340,000. (At Bates Stamp 42-43.)

If you have any questions, please contact me.