

DE 02-007

GRANITE STATE ELECTRIC COMPANY

Transition Service Offering

Prehearing Conference Order

O R D E R N O. 23,937

March 18, 2002

APPEARANCES: Seth Shortlidge, Esquire, of Gallagher, Callahan & Gartrell, for Granite State Electric Company; Andrew Katz for Constellation Power Source; Michael Giaimo for the Business & Industry Association; James Rodier, Esquire, for Freedom Energy; Wynn Arnold, Assistant Attorney General, of the New Hampshire Office of Attorney General, for the Governor's Office of Energy & Community Service; Kenneth Traum, of the Office of Consumer Advocate, for New Hampshire ratepayers; and Lynmarie Cusack, Esquire, for the Staff of the New Hampshire Public Utilities Commission. Also requesting interested party status only, Gerald Eaton, Esquire, for Public Service of New Hampshire.

I. PROCEDURAL HISTORY

On January 15, 2002, Granite State Electric Company (GSEC) filed with the New Hampshire Public Utilities Commission (Commission) a request for an extension and/or modification of its transition service offering. In the filing, the Company presented the Commission with two alternatives for service to customers remaining on transition service at the expiration of the current transition service offering. The alternatives are explained in the letter filing and the testimony of GSEC representatives.

Currently, GSEC's transition service offering is slated to expire, as provided in its restructuring settlement agreement, on June 30, 2002. The settlement agreement indicates that at the termination of the original transition service, transition service 1 customers will be assigned to the alternative suppliers servicing the transition service load or their designated retail marketer. Also, GSEC, in its wholesale supply contract with Constellation Power Source, Inc. (Constellation), agreed to allow Constellation to receive retail assignment of all transition service 1 customers meeting certain requirements no later than 60 days prior to termination of the contract. No provision or contractual obligation provides for the similar treatment of transition service 2 customers; i.e those customers taking service after July 1, 1998.

The Company's two alternatives for extending transition service are based on its statutory and contractual obligations. The first alternative (Alternative One) provides that, upon termination of the current transition service, all transition service 1 customers who have not selected a retail supplier will be assigned to Constellation. If Constellation chooses not to provide the service to those customers or the customers do not meet the prerequisites necessary to receive

direct retail assignment, it is proposed that, effective July 1, 2002, those transition service 1 customers will be supplied through GSEC's default service. Alternative One also provides that all transition service 2 customers will be supplied through default service. Lastly, the Company indicates it will continue to procure default service through six-month competitively-bid wholesale supply contracts.

The second alternative (Alternative Two) provides for an extension of GSEC's transition service through May 1, 2006, pursuant to RSA 374-F:3,V(b). The Company suggests that in this alternative all customers, including transition service 2 customers who have not selected a competitive retail supplier, will be supplied through a GSEC contract the Company has negotiated with Constellation. If Alternative 2 is selected by the Commission, the Company asserts that Constellation has agreed to waive all retail assignment rights to customers it may have had under the existing wholesale supply contract.

The Company has also proposed to offer two programs to assist in the development of a competitive retail market in its service territory. The Company asserts that the programs will provide competitive suppliers with routinely updated customer lists to assist in the marketing efforts.

On February 12, 2002, the Commission issued an Order of Notice establishing a Prehearing Conference, which was held at the Commission on March 5, 2002. On February 14, 2002, the Office of Consumer Advocate (OCA) filed its intent to participate in this docket. Constellation, the Business and Industry Association (BIA), Freedom Energy, and the Governor's Office of Energy and Community Service filed motions for intervention. At the Prehearing Conference, Public Service Company of New Hampshire expressed its desire to monitor the case.

II. PRELIMINARY POSITIONS OF THE PARTIES AND STAFF

A. Granite State Electric Company

As discussed above, GSEC proposes two alternative treatments of transition service customers commencing on June 30, 2002. GSEC expressed that it has no preference as to either of the alternatives. GSEC avers that it understands both its contractual and settlement agreement requirements and is fully capable of transferring transition service customers to Constellation as required by its contract and the settlement agreement. GSEC represents that, based upon discussions with other parties, there may be some public interest in the Company continuing to provide transition service. Therefore, GSEC has negotiated with Constellation a

second alternative which allows it to continue to provide transition service through April of 2006.

B. Constellation Power Source, Inc.

Constellation is an integrated energy company that has been in business for 180 years and claims to have extensive experience serving the energy needs of New England. It is the wholesale origination, marketing, and risk management arm of Constellation Energy Group. It avers that it is financially stable with the willingness and expertise to serve the energy needs of customers in New Hampshire. Constellation does, however, prefer Alternative Two and believes that this alternative will best serve New Hampshire consumers by giving a fixed price, which would provide rate stability and predictability in the current market environment. Constellation believes this alternative to be in the public interest and will provide a benchmark for competitors in the transition to competition.

C. Business & Industry Association

The BIA has asked for intervention in the docket and indicated that it has reviewed the two alternatives in this docket and prefers Alternative Two.

D. Freedom Energy

Freedom Energy has also asked for intervention in the docket. It claims that presently there are no viable

competitive suppliers in New Hampshire for the small business and residential customer. Freedom Energy also states it has a marketing alliance with TransCanada Power Market, which supplies electricity to the largest customers in Maine, Massachusetts, and Rhode Island. It has the expertise and cost efficiency to sell electricity in New Hampshire. However, competing against default service is difficult. The competing marketers, as argued by Freedom, are basically purchasing the same electricity as the wholesaler, but they incur billing costs, enrollment costs and credit risk concerns. Freedom Energy believes it is probably in the public interest to continue transition service to residential customers. However, there are marketers that are ready, willing and able to service the large customers.

According to Freedom, extending transition service for all customers for an additional four years could have serious ramifications on the transition to competition in New Hampshire. Freedom argues that the consequence of Alternative Two is that a customer is locked in if the rate is not favorable, and a competitive supplier cannot compete. Freedom notes, therefore, that over the next four years, competitive suppliers will be hesitant to enter the New Hampshire market due to the uncertainty of the market, the overhead costs

(billing and enrollment), and other risk factors that Constellation does not need to consider.

E. Governor's Office of Energy & Community Service

GOECS has no initial position in this docket. It does, however, have some questions and concerns which it believes may be addressed in discovery. For instance, GOECS is interested in learning how the 2006 date was determined, why such a long extension of time was requested, and whether any consideration was given to allowing the Commission more flexibility in its policy alternatives now being considered by the Legislature, including green power options. GOECS is concerned with protecting smaller customers from a premature market and exploring alternatives that have the best policy for enhancing competition in New Hampshire. GOECS is also interested in pursuing a possibility of a "green transition" alternative.

F. Office of Consumer Advocate

The OCA agrees with the position of GOECS. In addition, it is concerned that under the current state of affairs, there is no residential choice, and the OCA is not optimistic that there will be a choice for the residential customer in the near future. The OCA prefers Alternative Two, with some adjustments.

G. Staff

Staff believes that it is appropriate to continue transition service at this time. Staff does, however, have some questions regarding the length of time proposed by GSEC. Staff believes that extending the transition period to 2006 is too long a time. Staff believes there is most likely a mid-point to be negotiated that would satisfy all parties.

Staff also pointed out that in October 2000, when the Commission extended transition service for GSEC through June 2002, it indicated that it had concerns that the market was not sufficiently developed to a point where customers would have alternatives. Staff has those same concerns today. Staff believes that once the supplier registration rules are adopted and definite regulations are in place, additional suppliers may be attracted into the state.

Staff recommends an expeditious schedule for this docket, but one that accommodates discovery. Staff seeks to evaluate whether the assignment of customers to Constellation is appropriate without GSEC allowing other competitive suppliers an opportunity for such assignments. Staff has concerns regarding pricing issues and the effect of either alternative on developing a competitive market in the state.

III. PROCEDURAL SCHEDULE

Following the Prehearing Conference, the Parties and Staff met in a Technical Session and agreed upon the following schedule, which was submitted to the Commission by letter from Staff dated March 6, 2002.

Data Requests from the Parties to the Company	03/11/02
Data Responses from the Company and Constellation Power	03/1 8/02
Technical Session	03/22/02
Technical Session/Settlement Conference	
04/03/02	
Settlement Agreement to be filed	04/09/02
Testimony (if any)	04/16/02
Hearing	04/18/02

IV. PREHEARING DETERMINATIONS

In addition to the issues identified by the parties, the Commission has requested that the parties consider a possible hybrid approach that would allow for the larger classes of customers to be assigned while the residential customers will remain on an extended transition service.

The Commission has reviewed the Procedural Schedule as proposed herein and determined that it is reasonable. Finally, the Commission will grant the pending motions to intervene, as well as PSNH's request for limited intervention

to allow them to monitor the proceedings.

Based upon the foregoing, it is hereby

ORDERED, that the procedural schedule as proposed herein is reasonable and is hereby adopted; and it is

FURTHER ORDERED, that the pending motions to intervene are granted.

By order of the Public Utilities Commission of New Hampshire this eighteenth day of March, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary