

DE 00-197

GRANITE STATE ELECTRIC COMPANY

Extension of Transition Service

Order Nisi Approving Extension of Transition Service

O R D E R N O. 23,564

October 2, 2000

On September 15, 2000 the Petitioner, Granite State Electric Company (Granite State), filed a letter with the New Hampshire Public Utilities Commission (the Commission) requesting that the Commission extend Granite State's Transition Service until June 30, 2002 pursuant to Granite State's Settlement Agreement, as amended on July 13, 1998. Order No. 23,041 (October 7, 1998), approved Granite State's Amended Offer of Settlement in Docket DR 98-012. The Amended Settlement Agreement states that Transition Service "shall be available to all retail customers, and shall be in place through June 30, 2002; provided however that the Commission may extend or terminate such service on December 31, 2000, following notice, an opportunity for hearing and a Commission decision on this issue which shall be issued by October 1, 2000." (Amended Settlement Agreement, Section B, Page 13).

Granite State's transition service customers are split into two groups: Transition Service 1 includes all customers who have not chosen a competitive supplier who were

customers of record as of retail access date; Transition Service 2 is comprised of all additional customers who have not chosen a competitive supplier. Transition Service 1 comprises approximately 86% of the total transition service kilowatt-hours sold at this point in time. Since March 1, 1999, power for Transition Service 1 customers has been supplied through a competitively bid contract with Constellation Power Services, Inc. (Constellation). This contract runs through June of 2002. The prices for the Transition Service 1 contract with Constellation are set at 3.8 cents per kilowatt-hour for 2000 and 2001, and 4.2 cents per kilowatt-hour for 2002, subject to a fuel index adjustment. Transition Service 2 is procured through short-term competitive bids in conjunction with Default Service. Currently, all Transition Service customers receive service at the Transition Service 1 prices.

In its letter, Granite State avers that Transition Service offers customers stable and predictable prices that are generally reflective of overall energy market conditions. Granite State submits that the stability and predictability of Transition Service is necessary until a vibrant competitive market is established. Additionally, the Company believes Transition Service should be continued because of the delays

in bringing competition to the rest of New Hampshire. Extending Transition Service will provide a transition service period comparable to that of other deregulating New Hampshire electric utilities. The Company also cites volatility in wholesale markets in NEPOOL as contributing to the slow development of a competitive retail market.

The Commission has considered the extension of Transition Service for Granite States customers and will allow Transition Service to remain in effect until June 30, 2002. In making this decision, several factors have been considered. First, as Granite State noted in its letter, the retail market has not sufficiently developed to a point where customers can shop for a competitive supplier. Only one supplier is registered in Granite State's territory. Prior to releasing customers into the competitive market for electricity, we must ensure that there is a competitive supply available to meet their demand.

Lack of a competitive market in Granite State's territory may, in part, be attributed to the under-market prices of Transition Service. Concurrent with the letter petitioning the Commission to extend Transition Service was a petition from Granite State to increase Transition Service rates on November 15 from the current 3.838 cents per

kilowatt-hour to 5.596 cents per kilowatt-hour, a 46 percent increase in transition service, which, all things being equal, would result in an 18.5 percent increase in overall rates. If this increase does occur, this Commission expects a greater number of suppliers will be drawn into the retail market to compete at the higher price.

A second impediment to competition in Granite State's territory is the small percentage of New Hampshire customers who are eligible to choose their own supplier. With the issuance of Order No. 23,443, PSNH Proposed Restructuring Settlement (April 19, 2000), No. 23,549, Order Addressing Motions for Clarification and Rehearing, Amended Settlement Agreement and Financing Issues (September 8, 2000) and No. 23,550, Order Addressing Financing Issues (September 8, 2000) and the passage RSA 369-B:3, et seq., Public Service Company of New Hampshire customers, an additional 70% of New Hampshire's electric customers will be eligible to choose their own supplier. This increase in the size of the market should provide an incentive for more suppliers to join the retail electric market.

The Commission agrees with Granite State that the volatile nature of the current New England wholesale market has added to the delay in the development of a fully

functional retail market. The Commission, together with those of other New England States, continues to press for improvements in the rules and functioning of the New England Independent System Operator, toward the end that the difficulties experienced within the regional market will be resolved.

On September 26, 2000, Attorney James T. Rodier submitted a letter stating that unless further steps are taken by Granite State, few customers will have an opportunity to take service from a competitive supplier once transition service expires. The Commission shares this concern. Therefore, on or before July 31, 2001, Granite State is directed to file a report on the state of retail competition in Granite State's territory. The status report should include, but is not limited to: the number of Granite State customers, by class and month, on Transition Service 1 and 2 starting with January 2001; the number of customers, by class and month, receiving competitive service; the number of customers, by class and month, on Default Service; a monthly comparison of Transition Service prices, Default Service prices and spot market prices; a list of suppliers registered in Granite State affiliates' territories; and the percentage of customers by class taking competitive service in Granite

State affiliates' territories. If at the time of the July 31, 2001 filing, it continues to appear that the competitive market is not developing sufficiently, the Commission will consider whether there are additional steps which may be taken to promote growth of the competitive market. At this time though, we will monitor what effect the potential Granite State Transition Service rate increase and the opening of PSNH's territory to competition will have on the development of retail competition in Granite State's territory.

**Based upon the foregoing, it is hereby**

**ORDERED NISI**, that Granite State Electric Company shall continue the provision of Transition Service until June 30, 2002; and it is

**FURTHER ORDERED**, that on or before July 31, 2001 Granite State shall file a report with this Commission on the status of retail competition in Granite State's territory; and it is

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than October 10, 2000 and to be documented by affidavit filed with this office on or before

October 16, 2000; and it is

**FURTHER ORDERED,** that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than October 19, 2000; and it is

**FURTHER ORDERED,** that any party interested in responding to such comments or request for hearing shall do so no later than October 26, 2000; and it is

**FURTHER ORDERED,** that this Order Nisi shall be effective November 2, 2000, unless the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED,** that the Petitioner shall file a compliance tariff with the Commission on or before October 19, 2000, in accordance with N.H. Admin. Rules, Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this second day of October, 2000.

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Douglas L. Patch  
Chairman

Susan S. Geiger  
Commissioner

Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary