

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 19-062

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
d/b/a LIBERTY UTILITIES**

Annual Retail Rate Adjustment

Order Approving Rate Adjustments

O R D E R N O. 26,243

April 30, 2019

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty Utilities; the Office of the Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Paul B. Dexter, Esq., on behalf of Commission Staff.

In this order the Commission approves Liberty's annual retail rates for recovering stranded costs and transmission costs for the 12-month period beginning on May 1, 2019. The impact for residential default service customers using 650 kilowatt hours (kWh) per month is a monthly bill decrease of \$4.80, from \$123.72 to \$118.92, or 3.88 percent, from the rates currently in effect.

Concurrent with the issuance of this order, the Commission approved two additional rate changes for Liberty for effect on May 1, 2019. The cumulative effect of the three orders (Order Nos. 26,242, 26,243, and 26,244) is a decrease in monthly bills of \$4.65, or 3.76 percent, for residential default service customers using 650 kWh per month.

I. PROCEDURAL HISTORY

On March 26, 2019, Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty Utilities (Liberty or the Company) requested approval of its Stranded Cost Adjustment Factor and its Transmission Service Cost Adjustment, effective on a service-rendered basis on and after

May 1, 2019. An Order of Notice was issued on April 9, 2019, scheduling a hearing for April 23, 2019. The Office of the Consumer Advocate (OCA) filed a letter of participation on March 29, 2019, pursuant to RSA 363:28.

Liberty's initial filing and subsequent docket filings, other than any documents for which confidential treatment has been requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-062.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

1. Stranded Cost Adjustment Factor

Liberty's Stranded Cost Adjustment Factor recovers contract termination charges 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 Liberty's service territory. The Commission approved the applicable recovery mechanisms in *Granite State Electric Co.*, Order No. 23,041 (October 7, 1998). Liberty acquired Granite State Electric Company and the associated obligations from National Grid in 2012. *See National Grid USA, et al.*, Order No. 25,370 (May 30, 2012).

The proposed Stranded Cost Adjustment Factor consists of two components: (1) a uniform per kWh charge Liberty collects from all customers reflecting contract termination charges assessed by NEP; and (2) a stranded-cost adjustment factor reconciling any excess or deficiency from the prior year. Liberty proposes to change the uniform charge per kWh from the current credit of 0.040 cents per kWh to a credit of 0.070 cents per kWh,¹ effective on

¹ Credits have the effect of lowering customer bills.

May 1, 2019.² Liberty also proposes a stranded cost adjustment reconciling factor credit of 0.035 cents per kWh, reconciling an over-collection from the previous year.

2. Transmission Service Cost Adjustment

Liberty's Transmission Service Cost Adjustment includes costs incurred for transmission service. Through that adjustment mechanism, Liberty recovers costs charged by ISO New England (ISO-NE), the operator of the regional power grid, through the ISO-NE Open Access Transmission Tariff, as billed to Liberty by NEP. It also includes an adjustment factor that reconciles transmission expenses and revenues from the prior service period.

As part of its Transmission Service Cost Adjustment, Liberty proposes to credit customers for Regional Greenhouse Gas Initiative (RGGI) allowance auction revenues. In 2018, Liberty proposed to collect for lost revenues associated with customer generators participating in Liberty's net metering program. No lost revenues associated with net metering, however, are requested in the 2019 filing because Liberty plans to file a base rate increase in 2019 and any lost revenues will be factored into the revenue requirement calculated in that case.

Specifically, Liberty's proposed Transmission Service Cost Adjustment includes: (1) an average transmission service rate of 2.414 cents per kWh;³ (2) a reconciling charge of 0.162 cents per kWh; and (3) a RGGI credit of 0.174 cents per kWh.⁴

To obtain transmission service, Liberty enters into service agreements with entities authorized to provide transmission service by the Federal Energy Regulatory Commission (FERC). ISO-NE and NEP assess transmission charges to Liberty to cover the cost of providing

² On February 1, 2019, NEP filed a contract termination charge report with the Commission, which is under review in Docket No. DE 19-025.

³ That rate component varies by customer class.

⁴ Previous Transmission Service Cost Adjustments have included a fourth component for net metering lost revenue.

transmission over regionally-networked facilities, more commonly known as “pool transmission facilities” or the “bulk power system.” The transmission service provided over those facilities is referred to as “regional network service” (RNS).

The RNS rate recovers network costs on a regionalized basis. Determined annually, the charge is based on an aggregation of revenue requirements of each transmission owner in New England, calculated in accordance with a FERC-approved formula. Liberty testified the FERC approved RNS rate is \$117 per kilowatt-year.

Liberty is also billed for transmission over NEP’s local transmission facilities, which are not part of the bulk power system. The transmission service provided by those facilities is referred to as “local network service” (LNS).

The Company explained that its transmission expenses for 2019 are projected to be \$22.2 million, a net decrease of \$1.3 million from the 2018 forecast. Liberty attributed that decrease primarily to a one-time reduction in the federal income tax rate under the Tax Cuts and Jobs Act of 2017. Liberty proposed transmission service rates for different rate classes ranging from 1.495 cents per kWh for streetlights to 2.744 cents per kWh for residential Rate D customers.

The requested reconciling charge of 0.162 cents per kWh reflects two items: working capital on transmission costs, and transmission service over/under collection. Two components in turn make up the transmission service over/under collection: actual transmission revenues and expenses from May 2018 through February 2019, and forecasted transmission revenues and expenses from March and April 2019, which combine to produce a projected under-collection of \$1,498,624. Liberty stated that, over the course of the past year, it completed an audit of its over/under collection balance of transmission costs (and stranded costs) starting with Liberty’s

acquisition of Granite State Electric Company from National Grid in 2012, as required by Order No. 26,140 (May 31, 2018). According to Liberty, the over/under collection balances for stranded costs and transmission costs presented in its filing reflect Liberty's books and records.

The Company proposes to return \$9,803 of negative working capital, the second item in the reconciling charge, in its transmission costs.⁵ That component had been included in distribution rates until the Company's most recent rate case, Docket No. DE 16-383. Consistent with the approved settlement in that case, working capital for transmission services has been shifted to the Transmission Service Cost Adjustment. Order No. 26,005 at 8 (April 12, 2017).

In addition, the proposed Transmission Service Cost Adjustment includes a credit of 0.174 cents per kWh, refunding RGGI allowance auction amounts above \$1.00 per allowance, pursuant to RSA 125-O:23 and Order No. 25,664 (May 9, 2014). That credit, combined with the transmission service charge and reconciling charge results in a total Transmission Service Cost Adjustment for the Residential Rate D customer class of 2.732 cents per kWh.

Based on the proposed Stranded Cost Adjustment Factor and Transmission Service Cost Adjustment, the impact for residential default service customers using 650 kWh per month is a monthly bill decrease of \$4.80, from \$123.72 to \$118.92 per month, or a 3.88 percent decrease from the rates currently in effect.

B. OCA

The OCA supported the proposed rates as just and reasonable.

⁵ Negative working capital for transmission expense exists because, in 2018, on average, Liberty paid its transmission invoices 62.59 days after receiving service while Liberty's customers, on average, paid their electric bills 60.90 days after receiving service .

C. Staff

Staff supported the proposed rates as just and reasonable, subject to review of the Commission's Audit Division report regarding Liberty's under/over collection balances for stranded costs and transmission costs, issued on April 23, 2019.

III. COMMISSION ANALYSIS

The Commission is authorized to determine whether rates charged to retail utility customers in New Hampshire are just, reasonable, and lawful, under RSA 374:2 and RSA 378:7. The Commission is also authorized 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. The relevant principles include 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).

Granite State Electric Co., Order No. 23,041, set forth the relevant, underlying policy determinations and approved the rate adjustment mechanisms reflected in the Company's current proposal. Each rate component deserves a brief discussion.

Liberty's proposed Stranded Cost Adjustment Factor decreases by 0.011 cents per kWh, from a credit of 0.095 cents to a credit of 0.106 cents per kWh for residential (Rate Class D) customers. Other rate classes will see similar decreases. The portion of the charge that recovers the NEP contract termination charges decreases from a credit of 0.040 cents per kWh to a credit of 0.070 cents per kWh for all rate classes. The Commission received a contract termination

charge (CTC) report from NEP on February 1, 2019, which is under review in Docket No. DE 19-025, where Staff issued a memorandum concluding that the CTC rate was properly determined. We therefore conditionally approve Liberty's Stranded Cost Adjustment Factor, pending completion of our review of the CTC report and Staff's recommendation.

Liberty's proposed Transmission Service Cost Adjustment incorporates two components: (1) an average charge of 2.414 cents per kWh, designed to recover forecasted transmission expenses for 2019; and (2) the reconciling charge of 0.162 cents per kWh, attributable primarily to under-recoveries from the prior period.

The transmission costs in question are derived from FERC-approved tariffs and are subject to FERC jurisdiction. Those costs are then applied in accordance with the rate mechanism approved in Order No. 23,041. Accordingly, we approve Liberty's proposed transmission service cost adjustment, including the RGGI credits, and the working capital amount, for effect with services rendered on and after May 1, 2019.

With the combined changes in stranded cost and transmission charges, a residential default service customer using 650 kWh per month would experience a monthly bill decrease of \$4.80, or 3.88 percent, as compared to rates currently in effect.

Based upon the foregoing, it is hereby

ORDERED, that, as detailed above, the retail rates proposed by Liberty in Exhibit 1 at 39, filed on March 26, 2019, are hereby APPROVED, effective for the period on and after May 1, 2019, through April 30, 2020; and it is

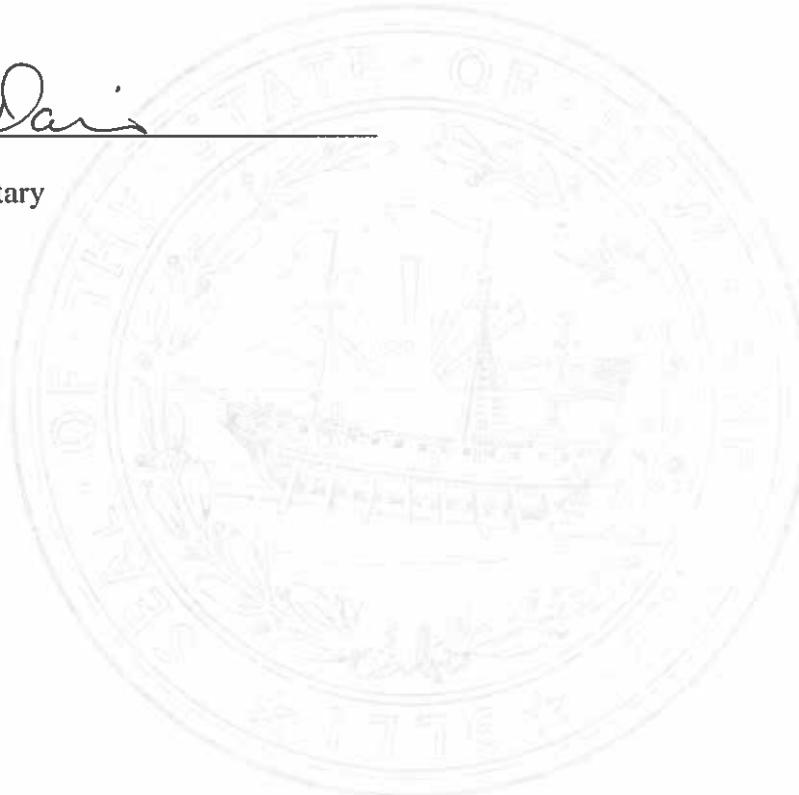
FURTHER ORDERED, that Liberty shall file appropriate tariff changes that conform to this order within 15 days of the date of this order, pursuant to N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2019.

Kathryn M. Bailey Michael S. Giaimo
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Commissioner Commissioner

Attested by:

Lori A. Davis
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Assistant Secretary



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