

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 21-063

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

Annual Retail Rate Adjustment

Order Approving Rate Adjustments

ORDER NO. 26,476

April 30, 2021

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty; 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, 2021. The impact for residential customers using 650 kilowatt hours (kWh) per month is a monthly bill increase of \$6.73, or 5.86 percent, from the rates currently in effect.

In Order No. 26,478, issued concurrently with this order, the Commission approved another rate change for Liberty for effect on May 1, 2021. The cumulative effect of the two rate changes will be to increase monthly bills by \$7.33, or 6.38 percent, for residential consumers using 650 kWh per month.

I. PROCEDURAL HISTORY

On March 24, 2021, Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty (Liberty or the Company) requested approval of its Stranded Cost Charge and its Transmission Service Cost Adjustment Charge, for effect on a service-rendered basis on and after May 1, 2021. The Commission issued an order of notice on March 31, scheduling a hearing for April 20.

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 <https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-063.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

1. Stranded Cost Charge¹

Liberty's Stranded Cost Charge 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 Charge consists of two components: (1) a uniform per kWh charge Liberty collects from (or refunds) 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 current uniform charge per kWh, which is a credit of 0.070 cents per kWh,² to a credit of 0.080 cents per kWh.³

¹ Liberty's tariff includes a Stranded Cost Charge, which in testimony it defines as the sum of a uniform charge per kWh and a factor which is specific to each rate class (which Liberty proposes to be \$0.00 for all rate classes in this docket). Liberty's Hearing Exhibit (Exh.) 1 at 39, Col. C refers to this combined charge as the Net Stranded Cost Charge. For consistency with Liberty's tariff, we use the Stranded Cost Charge when referring to this combined charge.

² Credits have the effect of lowering customer bills.

³ On January 29, 2021, NEP filed a contract termination charge report with the Commission, which is under review in Docket No. DE 21-011.

The Stranded Cost Adjustment Factor generally varies by rate class, but in this case, the amounts to be credited are so small that the factor rounds to 0.00 cents for all rate classes. The load-weighted average Stranded Cost Adjustment Factor is also 0.00 cents per kWh, effective May 1, 2021, based on the small total over-collection from the previous year of \$894.

2. Transmission Service Cost Adjustment Charge

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 transmission over regional-network facilities, more commonly known as “pool transmission facilities” or the “bulk power system.” Transmission service provided over those facilities is referred to as “regional network service” (RNS). RNS costs are based on FERC-approved tariffs. They are the costs required to support the regional transmission infrastructure throughout New England, and are billed to all entities in the region that have RNS load responsibilities, based on the entity’s monthly peak load. Liberty estimated that the RNS rate for the period July 2021 to June 2022 approved by FERC will be \$138 per kW-yr⁴, an increase from the FERC approved rate for the period ending June 30, 2021, of \$129.26 per kW-year.

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

The Company explained that its transmission expenses for 2021 are projected to be \$26.9 million, a net increase of \$3.7 million from the 2020 forecast. Liberty attributed that increase primarily to increases in RNS service.

⁴ Liberty estimated \$138 per kW-yr to be equivalent to \$22.61/MWh. See Exh. 3.

Liberty's Transmission Service Cost Adjustment Charge includes the 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.

Liberty also credits customers for Regional Greenhouse Gas Initiative (RGGI) allowance auction revenues through the Transmission Service Cost Adjustment Charge. In this docket, Liberty requests recovery of lost base revenue from net metering, as was approved for Liberty in Order No. 26,140 in Docket DE 18-051.⁵

Specifically, Liberty's proposed Transmission Service Cost Adjustment Charge has four components: (1) an average transmission service rate of 3.057 cents per kWh,⁶ (2) a reconciling charge of 0.376 cents per kWh (to collect an under-collection from the prior year), (3) a RGGI credit of 0.211 cents per kWh, and (4) a charge of 0.048 cents per kWh to recover lost revenues from net metering in 2019 and 2020.

The requested transmission reconciliation charge of 0.376 cents per kWh reflects two items: working capital requirement on transmission costs, and a transmission service under-collection. Two components make up the transmission service under-collection: actual transmission revenues and expenses from May 2020 through February 2021, and forecasted transmission revenues and expenses from March and April 2021, which in turn combine to

⁵ Pursuant to a settlement in DE 19-064, as approved in Order No. 26,376 (June 30, 2020), Liberty will implement decoupling effective July 1, 2021. Thereafter, no adjustment for lost base revenues will be needed.

⁶ That rate component varies by customer class.

produce a projected under-collection of \$3,318,805. The Company proposes to return \$8,590 of negative working capital, the second item in the reconciliation charge, in its transmission costs.⁷

The Company's proposed 2020 reconciliation charge is 0.376 cents per kWh. The charge was calculated by dividing the total under-collection amount of \$3,318,805 plus the negative working capital of \$8,590, a total of (\$3,310,214), by the forecasted 879,426,489 kWh sales for the year beginning on May 1, 2021.

In addition, the proposed Transmission Service Cost Adjustment Charge includes a credit of 0.211 cents per kWh, refunding \$1,855,928 in RGGI allowance auction amounts pursuant to RSA 125-O:23 and Order No. 25,664 (May 9, 2014). The Transmission Service Cost Adjustment Charge also includes a charge of 0.048 cents per kWh to recover \$421,733 in lost revenues from net metering. This results in a total Transmission Service Cost Adjustment Charge for the Residential Rate D customer class of 3.703 cents per kWh.

Based on the proposed Stranded Cost Charge and Transmission Service Cost Adjustment Charge, the impact for residential customers using 650 kWh per month is a monthly bill increase of \$6.73, from \$114.87 to \$121.60 per month, or a 5.86 percent increase from the rates currently in effect.

B. Staff

Staff supported the proposed rates as just and reasonable, subject to the outcome of the Commission's review of NEP's 2020 CTC Reconciliation Report in DE 21-011.

⁷ Negative working capital for transmission expense exists because, in 2020, on average, Liberty took longer to pay its transmission invoices (62.23 days) than Liberty's customers took to pay their electric bills (60.97 days).

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).

The underlying policy determinations and approved rate adjustment mechanisms reflected in the Company’s current proposal are set forth in *Granite State Electric Co.*, Order No. 23,041 (October 7, 1998).

Liberty’s proposed Stranded Cost Charge decreased slightly, providing a slightly larger credit than currently in effect. The portion of the Stranded Cost Charge that recovers the NEP contract termination charges is a credit of 0.080 cents per kWh for all rate classes. The Commission received a contract termination charge (CTC) report from NEP on January 29, 2021, which is under review in DE 21-011. We therefore conditionally approve Liberty’s Stranded Cost Charge, pending completion of our review of the CTC report.

Liberty’s proposed Transmission Service Cost Adjustment Charge incorporates two components: (1) an average charge of 3.057 cents per kWh, designed to recover forecasted

transmission expenses for 2021; and (2) the reconciling charge of 0.376 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 charge, including the RGGI credits and lost revenues from net metering, and the working capital amount, for effect with services rendered on and after May 1, 2021.

With the combined changes in stranded cost and transmission charges, a residential customer using 650 kWh per month and taking default service would experience a monthly bill increase of \$6.73, or 5.86 percent, as compared to rates currently in effect.

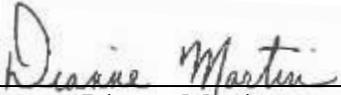
The Commission is issuing simultaneous orders pertaining to Liberty rate adjustments effective on May 1, 2021, in Docket No. DE 21-049 and in this docket. The cumulative effect of those rate changes is an increase in monthly bills of 6.38 percent for residential customers using 650 kWh per month.

Based upon the foregoing, it is hereby

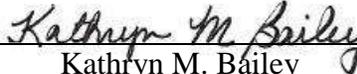
ORDERED, as detailed above, the retail rates proposed by Liberty in Exhibit 1 at 39, filed on March 24, 2021, are hereby APPROVED, effective for the period on and after May 1, 2021, through April 30, 2022; and it is

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. Admin. R., PART 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of
April, 2021.

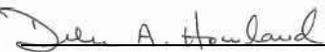


Dianne Martin
Chairwoman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 21-063

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