

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-040

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

Annual Retail Rate Adjustment

Order Approving Rate Adjustments

ORDER NO. 26,353

April 30, 2020

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty Utilities; 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, 2020. The impact for residential customers using 650 kilowatt hours (kWh) per month is a monthly bill decrease of 26 cents, or 0.23 percent, from the rates currently in effect.

In Order No. 26,352, issued concurrently with this order, the Commission approved another rate change for Liberty for effect on May 1, 2020. The cumulative effect of the two rate changes will be to decrease monthly bills by 31 cents, or 0.27 percent, for residential consumers using 650 kWh per month.

I. PROCEDURAL HISTORY

On March 27, 2020, Liberty Utilities (Granite State Electric) Corp. d/b/a/ Liberty Utilities (Liberty or the Company) requested approval of its Stranded Cost Adjustment Charge and its Transmission Service Cost Adjustment Charge, effective on a service-rendered basis on and after May 1, 2020. The Office of the Consumer Advocate (OCA) filed a letter of participation on

April 6, pursuant to RSA 363:28. The Commission issued an order of notice on April 9, scheduling a hearing for April 27.

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/2020/20-040.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

1. Stranded Cost Adjustment Charge¹

Liberty's Stranded Cost Adjustment 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 all customers reflecting contract termination charges assessed by NEP, and (2) a Stranded Cost Adjustment Factor reconciling any excess or

¹ Liberty's tariff refers to this charge as the Stranded Cost Adjustment Factor, but in testimony defines the charge as the sum of the stranded cost adjustment factor and a uniform charge. To distinguish the charge from its components we will refer to the tariffed rate as the Standard Cost Adjustment Charge.

deficiency from the prior year. Liberty proposes no change to the current uniform charge per kWh, which is a credit² of 0.070 cents per kWh.³

The Stranded Cost Adjustment Factor varies by rate class. The load-weighted average Stranded Cost Adjustment Factor will change to a credit of 0.002 cents per kWh, effective May 1, 2020, reconciling a small over-collection from the previous year. For the residential rate class (Rate Class D), Liberty's proposed Stranded Cost Adjustment Factor increased by 0.034 cents per kWh, from a credit of 0.106 cents to a credit of 0.072 cents per kWh). Other rate classes will see similar changes.

2. Transmission Service Cost Adjustment Charge

Liberty's Transmission Service Cost Adjustment Charge 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 (OATT), 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.

Specifically, Liberty's proposed Transmission Service Cost Adjustment Charge has three components: (1) an average transmission service rate of 2.545 cents per kWh,⁴ (2) a reconciling credit of 0.023 cents per kWh (to return an over-collection from the prior year), and (3) a RGGI credit of 0.152 cents per kWh.

² Credits have the effect of lowering customer bills.

³ On January 31, 2020, NEP filed a contract termination charge report with the Commission, which is under review in Docket No. DE 20-016.

⁴ That rate component varies by customer class.

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).

The RNS rate recovers network costs on a regionalized basis. Determined annually, the charge is based on an aggregation of transmission revenue requirements of each transmission owner in New England, calculated in accordance with a FERC-approved formula. 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 2019 are projected to be \$23.2 million, a net increase of \$1.1 million from the 2019 forecast. Liberty attributed that increase primarily to increases in LNS service, based on actual results from the prior year.

The requested transmission reconciliation credit of 0.023 cents per kWh reflects two items: working capital requirement on transmission costs, and a transmission service over collection. Two components make up the transmission service over collection: actual transmission revenues and expenses from May 2019 through February 2020, and forecasted transmission revenues and expenses from March and April 2020, which in turn combine to produce a projected over-collection of \$193,793.

The Company proposes to return \$14,579 of negative working capital, the second item in the reconciliation charge, in its transmission costs.⁵ That component had been included in base rates until the Company's most recent rate case, Docket No. DE 16-383. Consistent with the approved settlement in that case, the item has been shifted to the Transmission Service Cost Adjustment Charge. Order No. 26,005 at 8 (April 12, 2017).

The Company's proposed 2019 reconciliation credit is 0.023 cents per kWh. The credit was calculated by dividing the total over-collection amount of \$193,793 plus the negative working capital of \$14,579, a total of (\$208,373), by the forecasted 912,773,764 kWh sales for the year beginning on May 1, 2020.

In addition, the proposed Transmission Service Cost Adjustment Charge includes a credit of 0.152 cents per kWh, refunding RGGI allowance auction amounts pursuant to RSA 125-O:23 and Order No. 25,664 (May 9, 2014). That credit results in a total Transmission Service Cost Adjustment Charge for the Residential Rate D customer class of 2.660 cents per kWh.

Based on the proposed Stranded Cost Adjustment Charge and Transmission Service Cost Adjustment Charge, the impact for residential customers using 650 kWh per month is a monthly bill decrease of 26 cents, from \$115.08 to \$114.82 per month, or a 0.23 percent decrease 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 2019 CTC Reconciliation Report in DE 20-016. Staff also requested that the Commission require Liberty, in future proceedings where Liberty is requesting

⁵ Negative working capital for transmission expense exists because, in 2019, on average, Liberty took longer to pay its transmission invoices (62.34 days) than Liberty's customers took to pay their electric bills (59.90 days).

to recover transmission costs that it incurs through FERC approved rates, to explain what makes up the costs that are sought to be recovered, how those costs might have differed from recent prior periods, and efforts made by Liberty to minimize such costs.

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 Adjustment Factor increased slightly, but remains a credit. The portion of the Stranded Cost Recovery Charge that recovers the NEP contract termination charges remains at a credit of 0.070 cents per kWh for all rate classes. The Commission received a contract termination charge (CTC) report from NEP on January 31, 2020, which is under review in DE 20-016. We therefore conditionally approve Liberty’s Stranded Cost Adjustment 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 2.545 cents per kWh, designed to recover forecasted transmission expenses for 2020; and (2) the reconciling credit of 0.023 cents per kWh, attributable primarily to over-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 the working capital amount, for effect with services rendered on and after May 1, 2020. We were concerned by Liberty's lack of knowledge about the underlying cause of transmission cost increases. In future filings, we expect Liberty to provide information about the cost drivers which effected RNS and LNS rates.

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 decrease of 26 cents, or 0.23 percent, as compared to rates currently in effect.

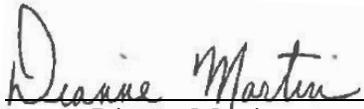
The Commission is issuing simultaneous orders pertaining to Liberty rate adjustments effective on May 1, 2020, in Docket No. DE 20-036 and in this docket. The cumulative effect of these rate changes is a decrease in monthly bills of .27 percent for residential customers using 650 kWh per month.

Based upon the foregoing, it is hereby

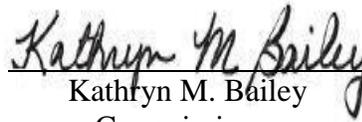
ORDERED, as detailed above, the retail rates proposed by Liberty in Exhibit 1 at 39, filed on March 27, 2020, are hereby APPROVED, effective for the period on and after May 1, 2020, through April 30, 2021; and it is

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.

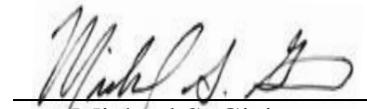
By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2020.



Dianne Martin
Chairwoman

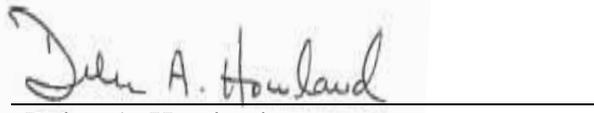


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket# : 20-040

Printed: 4/30/2020

Email Addresses

ExecutiveDirector@puc.nh.gov
richard.chagnon@puc.nh.gov
pradip.chattopadhyay@oca.nh.gov
gary.cronin@puc.nh.gov
paul.dexter@puc.nh.gov
jay.dudley@puc.nh.gov
tom.frantz@puc.nh.gov
Adam.Hall@libertyutilities.com
maureen.karpf@libertyutilities.com
donald.kreis@oca.nh.gov
steven.mullen@libertyutilities.com
amanda.noonan@puc.nh.gov
ocalitigation@oca.nh.gov
michael.sheehan@libertyutilities.com
david.simek@libertyutilities.com
karen.sinville@libertyutilities.com
john.warshaw@libertyutilities.com