

DR 98-012

GRANITE STATE ELECTRIC COMPANY

Electric Restructuring: Offer of Settlement

**Order Approving Modifications to Offer of Settlement and Immediate
Rate Reductions**

ORDER NO. 22,981

July 15, 1998

On February 3, 1998, Granite State Electric Company (GSEC or Company) filed on behalf of itself and a number of supporting parties (the Signatories) an Offer of Settlement (Offer) intended to resolve most of the electric restructuring issues related to retail choice in GSEC's service territory. The Offer supersedes a February 21, 1997 filing in docket DR 96-150 and, if approved by the Commission, would require GSEC to withdraw its claims against the New Hampshire Public Utilities Commission (Commission) in United States District Court.

The Offer addresses, among other things, stranded cost recovery by GSEC and New England Power Company (NEP), transition service, rate reductions, the divestiture of NEP's non-nuclear generation assets including a risk/reward mechanism associated with divestiture¹, nuclear decommissioning of NEP's nuclear entitlements, support for conservation and load management and renewable resources, reductions in air emissions and support for low-income customers. An Order of Notice was issued by

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The Offer also requests that the Commission approve the transfer of NEP's New Hampshire Generation assets and make certain findings concerning eligible facilities under Section 32 of the Public Utility Holding Company Act of 1935 as amended from time to time. Those issues will be addressed in Docket No. DE 97-251.

the Commission on February 11, 1998. Following a period of investigation, the Commission held hearings on the merits of the Offer.

Based on six days of testimony, briefs, and the extensive record before it, the Commission held a public meeting on June 26, 1998 at which it deliberated the Offer. The Commission stated that it would accept the Offer provided certain modifications were agreed to by GSEC. Those modifications included: 1) changing the length and terms of transition service; 2) disallowing the stranded cost mitigation "incentive payment" to NEP; 3) reducing the post-divestiture overall rate-of-return to reflect a 6.5% return-on-equity; 4) eliminating any portion of a system benefits charge to collect funding for renewable energy for the reasons expressed in the February 28, 1997 Statewide Electric Utility Restructuring Plan (Plan) and in the March 20, 1998 rehearing order; and, 5) deferring a decision on energy efficiency until the Commission has reviewed the recommendations which will come from the New Hampshire Energy Efficiency Working Group which was established pursuant to the Rehearing Order of March 20, 1998. See Order No. 22,875.

The Commission stated that it found GSEC's approach to the nuclear assets, which provides for some sharing of costs and benefits between shareholders and ratepayers, to be in the public interest. NEP has stated that it intends to sell off its nuclear entitlements. A plan concerning nuclear divestiture will be filed with the Commission by July 1, 1999. The Commission stated that it would review the nuclear sales and undertake an examination of stranded costs consistent with the reconciliation provisions of RSA 374-F:3,XII. If NEP does not sell off its nuclear assets in a reasonable time frame, the Commission stated that it intended to re-evaluate the PBR

mechanism.

On June 29, 1998, GSEC filed a response purportedly accepting the Commission's June 26, 1998 oral deliberations. Based on the June 29, 1998 filing by GSEC and subsequent responses by the OCA and Cabletron to GSEC's filing, the Commission issued an Executive Letter (Letter) on July 1, 1998 noting discrepancies between the Commission's deliberations and the "acceptance" and scheduling a hearing for July 7, 1998. At the July 7, 1998 hearing, GSEC cited differences of opinion among the settling parties and consequently withdrew the filing of June 29, 1998 and asked for additional time for discussion among the settling parties. The Commission granted the request and directed the settling parties to submit a letter by the close of business on July 10, 1998 indicating the status of those discussions.

On July 10, 1998, GSEC filed a Response to Commission's Oral Remarks of June 26, 1998 and Letter of July 1, 1998 (Response). GSEC's Response states that GSEC and the signatories to the Offer, with the exception of the Conservation Law Foundation and the Northeast Energy Efficiency Council, accept the modifications to the Offer as deliberated by the Commission on June 26, 1998. The Response also states that the Governor's Office of Energy and Community Services, the Business and Industry Association, the Campaign for Ratepayers' Rights, and Representatives Below and Bradley do not agree with the position of the Commission concerning renewable energy and energy efficiency, but agree to support the Offer as modified in the Response. Tariff pages reflecting the revisions based on the Commission's oral deliberations were filed by GSEC on July 13, 1998.

Based on the Commission's preliminary review of the July 10, 1998

Response, the Commission understands GSEC to have accepted the Commission's modifications to the Offer of Settlement as we deliberated orally on June 26, 1998. We will, therefore, approve the amended Offer of Settlement as filed by GSEC on July 10, 1998. A full report and order supporting our decision will be forthcoming.

Based upon the foregoing, it is hereby

ORDERED, that Granite State Electric Company is authorized to reduce rates retroactive to July 1, 1998 and proceed to implement retail choice in its service territory based upon the modifications contained in the July 10, 1998 filing of an amended Offer of Settlement in compliance with the Commission's oral deliberations of June 26, 1998; and it is

FURTHER ORDERED, that Granite State Electric Company shall file compliance tariff pages in conformance with this order.

By order of the Public Utilities Commission of New Hampshire this fifteenth day of July, 1998.

Douglas L. Patch
Chairman

Bruce B. Ellsworth
Commissioner

Susan S. Geiger
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary

