DE 00-274

GRANITE STATE ELECTRIC COMPANY

January 2001 Retail Delivery Rate Filing

Order Approving Retail Delivery Rates for January 1, 2001 through December 31, 2001

O R D E R N O. 23,650

March 8, 2001

Appearances: Seth L. Shortlidge, Esq. for Granite State Electric Company, and Tracy Guyette and James J. Cunningham Jr. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

This Order supplements and clarifies Order No. 23,612, issued December 28, 200, which previously approved GSEC adjustment to retail rates, effective January 1, 2001.

On December 1, 2000, Granite State Electric Company (GSEC or the Company) filed with the Commission a petition to adjust retail rates on January 1, 2001. The petition seeks to adjust GSEC's Stranded Cost Charge, Transition Service Charge, Transmission Charge, Electric Service Adjustment Factor, Distribution Surcharge Factor and System Benefits Charge Refund Adjustment. An Order of Notice was issued on December 5, 2000, ordering that a hearing be held on December 20, 2000. No petitions for intervention were filed.

Prior to the hearing, the Company and Staff held a technical session. At the hearing Alan Linder made an appearance on behalf of Save Our Homes Organization (SOHO) but did not request intervention. SOHO is supportive of GSEC's participation in the Interim Electric Assistance Program (EAP) but concerned about the level of enrollment. SOHO requested that the Company actively seek out cooperative efforts with human service agencies in order to increase enrollment in this program.

II. POSITION OF THE PARTIES

A. Granite State Electric Company

GSEC presented the testimony of Theresa M. Burns, Manager of Distribution Rates of National Grid USA Service Company Inc., and Pamela A. Viapiano, Manager of Transmission Regulation and Policy for New England Power Company, both of whom had pre-filed testimony on December 1, 2000. At Staff's request, the Company presented the direct testimony of Mr. Michael J. Hager, Manager Distribution Services for National Grid USA Service Company, who testified on the procurement methodology for Transition Service 2.

GSEC proposes to reduce its Stranded Cost Charge, on average, by $0.00246 per kilowatt-hour (from $0.00780 per kilowatt-hour to $0.00534 per kilowatt-hour) due to a decrease in the Contract Termination Charge (CTC) billed to GSEC by New England Power Company (NEP).[1] Next, the Company proposes to implement a transition service adjustment factor of $0.00215 per kilowatt-hour to recover under-collections for Transition Service 1 incurred during the period October 1, 1999 to September 30, 2000. This adjustment factor would be added directly to the current Transition Service Charge of $0.05541 resulting in a net Transition Service Charge of $0.05756 per kilowatt-hour.

The average Transmission Service Charge is comprised of two components: the forecasted transmission expense for 2001 and the reconciliation of revenues and expenses from the prior period. Of total transmission costs of $7,008,416, $917,592 is due to an under-recovery for the period October 1999 through September 2000 and $6,090,824 is attributable to a forecast of higher costs for the period October 2000 through September 2001. The Company proposes that the forecast component for 2001 be, on average, $0.00911, an average increase of $0.00252 per kilowatt-hour. This transmission charge is to be allocated among customer classes by each classes' contribution to the coincident peak. In addition,

[1]The details of the CTC charge for year 2001, including the Report on the Reconciliation of the 1999 and 2000 CTC will be considered in a separate docket, DE 00-277.

GSEC is proposing a uniform transmission adjustment factor of $0.00119 per kilowatt-hour to recover the $917,592 in under-collections.

Forecast transmission costs are increasing by approximately $1.5 million due primarily to the inclusion of $1.3 million of congestion costs. Actual congestion costs, for the period October 1999 through September 2000, were $920,728. Congestion costs had not been included in last years’ forecast of transmission costs because congestion costs were never a separate cost. Prior to the opening of the new markets, any such costs were recovered in the fuel clause adjustment.

The System Benefits Charge (SBC) for the Interim Low Income Program is currently $0.00014 per kilowatt-hour. The Company proposes to retain this rate until the implementation of the statewide low-income assistance program approved in Order No. 23,575 (November 1, 2000). Upon implementation of the statewide program, the Company will increase its System Benefit Charge to $0.0012 per kilowatt-hour. In addition, the Company proposes to institute a separate system benefits credit of $0.00030 per kilowatt-hour to refund the current over-recovery. This refund is proposed to be credited to customers on a bills rendered basis over the first six months of 2001.

The Electric Service Adjustment provides for the full reconciliation of Transition Service 2 revenue and expense, and either the recovery or refund of any balance to all customers beginning in January 2001. In order to mitigate the Electric Service Adjustment increase, GSEC proposes two adjustments: the first pertains to a November 1998 bill adjustment that was not reflected in the revenue reports of the Company, and the second pertains to the credit for the final over-collected balance of the two-year Distribution Surcharge which ended in June 2000. These modifications are designed to avoid undue complexities in customer bills and to help mitigate the under-collection of Transition Service 2 costs. The Company is proposing a uniform electric service adjustment factor or $0.00135 per kilowatt-hour.

Overall, the Company’s proposed rate changes will increase the monthly bill for a typical 500 kilowatt-hour residential customer by 4.15 percent, or $2.35.

B. Commission Staff

The Commission Staff (Staff) did not submit testimony. Staff questioned the Company witnesses about the causes of the Transmission Rate increase of approximately 31 percent above the prior year’s forecast. The Company presented evidence that Congestion Costs account for close to 28 percent of this increase.

The Company agreed to provide additional information summarizing the Transmission Rate costs by each of the three pertinent tariffs (i.e. NEP’s Tariff No. 1, NEPOOL’s Tariff No. 9 and ISO’s Tariff No. 1.) and by individual cost component within each Tariff. In addition, the Company agreed to provide this information for three periods: forecast year 2001, forecast year 2000 and actual year 2000. Other cost components that contributed to the increase in the year 2001 forecast pertained to Black Start Costs and Reactive Power Charges. Staff requested this information to understand the source of the increased transmission costs. The Company provided a response on February 12, 2001 which is now in the record as Exhibit 10.

Staff also questioned the Company on the interest rate charged on Transition Service 2 under-collections. The Company stated that it used the interest rate on customer deposits authorized by the Commission, which is the prime rate. In its Massachusetts and Rhode Island subsidiaries, the interest rate on Standard Offer account balances is charged at the 2-year Treasury bill rate, which is also the interest rate on customer deposits. The Company’s Restructuring Settlement

Agreement states that amounts accrued in the reconciliation account, for Transition Service 2, “shall be recovered from, or returned to all customers beginning in 2001." Staff recommends that the Commission lower the interest rate on this account to reflect the low level of risk associated with recovery.

In response to questions on the Company’s Interim EAP program, the Company stated that if over-subscribed based upon current funding, the Company would continue to enroll participants in the program and allow an under-collection to accumulate.

In order to boost competition, Staff suggested the Commission consider adding the Electric Service Adjustment Factor directly to the Transition Service Charge. Since the decision to distribute any Transition Service 2 under-collection across all customers was part of the Settlement Agreement, the Company believes changing this mechanism would require the approval of the other signatories to the Settlement Agreement.

III. COMMISSION ANALYSIS

Based upon the record in this docket, we find the rates filed in the Company’s petition to be reasonable. We are concerned with the significant forecast increase in transmission congestion costs as approved by the Federal Energy Regulatory Commission, from actual costs of $920,728 for the period October 1999 to September 2000 to forecast costs of $1,289,019 for the following year, a 40 percent increase. Historical patterns in congestion cost increases along with the significant level of transmission work scheduled in 2001 appear to explain the 40 percent increase. On December 29, 2000, FERC accepted ISO New England's Second Revised Tariff Sheets for transmission dispatch and power administration services for calender year 2001, subject to the outcome of an evidentiary hearing and settlement judge procedures.[2] We direct our Staff to diligently review the transmission schedules in the quarterly adjustment factor reconciliations filed by the Company. This will enable us to get a better sense of the updated costs associated with transmission expenses. We will adjust the proposed transmission charges prior to January 2002, if necessary.

The Commission approves the Stranded Cost Charge, which collects Granite State's Contract Termination Charge (CTC), subject to reconciliation based upon the outcome of the 2000 CTC docket, DE 00-277.

The increase to the Transition Service Rate is due

[2]FERC Docket No. ER01-316-000

to an under-collection of the Fuel Index Adjustment, part of Granite State's Settlement Agreement and fully investigated in Docket DE 00-198. The proposed recovery period is reasonable and we will allow the proposed increase to Transition Service.

We do not adopt Staff's suggestion that the Transition Service 2 under-collection be included directly as part of the Transition Service Rate as opposed to a separate charge. At this time, there are no GSEC customers in the competitive market. Adding the Transition Service 2 under-recovery to the Transition Service Rate was suggested as a means to promote the goal of competition without impacting customers' overall rates. It would create a slight shift in cost burden from customers who shop to customers who do not shop, relative to the provisions of the Settlement Agreement. Given current uncertainties in the wholesale markets, and the small impact such a shift would likely have on customers' opportunity to switch to competitive suppliers, it is not necessary to consider disturbing the terms of the Settlement Agreement at this time.

In addition, we will approve maintaining the Interim EAP charge at its current level, and decreasing the refund credit which will remain in effect through June 2001. We encourage the Company to continue its efforts to increase participant outreach through coordination with the Low Income Working Group, DHHS, and state and local welfare and housing officials. We also direct the Company to develop and submit a written plan on enhancing outreach efforts. This plan should be submitted to our Executive Director by April 23, 2001 and shall include recommendations on how to increase enrollment in the program.

Staff requested that the Commission lower the interest rate on the Company's Transition Service 2 under-collections because of the low risk of non-recovery. The Granite State Restructuring Agreement allows for recovery of any balance in the Transition Service 2 reconciliation account. At this time we will allow the current interest rate to remain in place and reconsider the issue when a specific recommendation and testimony is available for our review.

Based upon the foregoing, it is hereby

ORDERED, that Granite State Electric Company's Transmission Charge, Transition Service Charge, System Benefits Charge, SBC Refund Adjustment, Stranded Cost Charge, and Electric Service Adjustment, remain in effect as approved in Order No. 23,612 issued December 28, 2000; and it is

FURTHER ORDERED, that the Petitioner's January 3, 2001 compliance filing is accepted and no further filing is necessary at this time to comply with N.H. Admin. Rules, Puc 1603.02(b); and it is

FURTHER ORDERED, that the Company submit an EAP Outreach Plan by April 23, 2001 to the Commission.

By order of the Public Utilities Commission of New Hampshire this eighth day of March, 2001.

Douglas L. Patch Chairman	Susan S. Geiger Commissioner	Nancy Brockway Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary