

DE 02-213

GRANITE STATE ELECTRIC COMPANY

2003 Retail Rate Adjustments

Order Approving 2003 Retail Rate Adjustments

O R D E R N O. 24,106

December 30, 2002

APPEARANCES: Laura S. Olton, Esq. for Granite State Electric Company; Kenneth E. Traum for the New Hampshire Office of Consumer Advocate; and Edward N. Damon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On November 27, 2002 Granite State Electric Company (GSEC or the Company) filed with the New Hampshire Public Utilities Commission (Commission) a petition, including supporting testimony and exhibits, requesting adjustments to various charges collected in its retail rates effective for usage on and after January 1, 2003.

GSEC requested approval of certain decreases in the rate-class specific component of the Company's Stranded Cost Charge,¹ with the existing Stranded Cost Charge of \$0.00679 per kWh (average) being reduced to \$0.00660 per kWh (average) on an overall basis; a decrease to its existing Transmission Service

¹ A related component is a uniform per kilowatt-hour (kWh) charge collected from all customers, which reflects New England Power Company's (NEP's) Contract Termination Charges (CTC) billed to GSEC. The reconciliation and adjustment of the CTC will be separately considered in Docket 02-214.

Charge and rate-class specific Transmission Service Cost Adjustment Factor of \$0.00595 per kWh (average), to \$0.00569 per kWh (average); a decrease to its Transition Service 1 Adjustment Factor from \$0.00130 per kWh to (\$0.00258) per kWh; a decrease to its existing Electric Service (or Transition Service 2) Adjustment Factor of \$0.00379 per kWh to \$0.00055 per kWh;² and, for transition service supplied after July 1, 2002,³ the implementation of a new Transition Service Extension Adjustment Factor of (\$0.0008) per kWh applicable to transition service customers. No change to the base Transition Service Charge is requested at this time.

GSEC's filing also included: a Default Service reconciliation, but because of the small balance involved the Company is not proposing the implementation of a Default Service Adjustment Factor at this time; and a reconciliation of the Company's Interim Low Income Energy Assistance Program (IEAP) revenue and expense related to the System Benefits Charge (SBC)

² The Electric Service Adjustment Factor applies to all delivery customers, not just Transition Service customers.

³ Upon restructuring of GSEC's retail service, the Commission approved the creation of two classes of Transition Service, one for customers receiving service at the time of restructuring, and the other for new customers and customers returning to transition service from competitive service. These two classes of transition service were referred to as Transition Service 1 and Transition Service 2. The Commission approved an extension of transition service, which does away with distinctions between Transition Service 1 and Transition Service 2, through April 30, 2006 in Order No. 23,966 in DE 02-007 (May 8, 2002).

covering the period from October 1, 2000 through December 31, 2002. With the collection of the full amount of the low income portion of the SBC and the implementation of the statewide Electric Assistance Program (EAP) having commenced on October 1, 2002, and in view of the upcoming termination of the IEAP, GSEC proposes to keep its SBC reconciliation open through the date of termination of the IEAP, which the Commission has now scheduled for March 31, 2003. GSEC also proposes that the SBC reconciliation balance at that time be transferred to the EAP reconciliation. GSEC proposes in addition a true up of its Conservation and Load Management (C&LM) refund. The Company's final update of the refund amount indicates a residential balance of \$64,104 and a commercial/industrial balance of \$761,987.

Finally, GSEC orally requested that it be authorized to transfer a small undercollection balance of \$1,966 in DE 01-096, regarding the repeal of the Franchise Tax and implementation of the Electricity Consumption Tax, to the Electric Service Adjustment Factor reconciliation, as set forth in its letter filed on September 19, 2002 and docketed as DE 02-223.

For a typical residential 500 kWh customer receiving transition service, the aggregate impact of the rates proposed

by GSEC for effect January 1, 2003, on a total bill basis, as compared to rates currently in effect, is a bill decrease of \$4.24, or 7.3 percent, from \$58.06 to \$53.82.

Based on the filing, the Commission issued an Order of Notice scheduling a hearing for December 16, 2001. By letter filed with the Commission on December 9, 2002, the New Hampshire Office of Consumer Advocate (OCA) notified the Commission that it would be fully participating in the docket on behalf of residential ratepayers consistent with RSA 363:28.

A hearing was held as scheduled on December 16, 2002.

By letter filed with the Commission on December 19, 2002, GSEC submitted responses to the record requests made during the December 16 hearing (Exhibits 4 & 5).

II. POSITIONS OF THE PARTIES AND STAFF

A. GSEC

GSEC presented witnesses Theresa Burns and Anne Rodrigues who testified respectively concerning the various reconciliation and adjustment provisions, calculations and related rate requests, and estimated transmission and ISO expenses of the Company.

Ms. Burns explained a correction to page 2 of Schedule TMB-14 in Exhibit 1 and discussed the other changes to her pre-filed testimony and schedules made necessary by the correction.

Schedule TMB-14 was corrected to reduce total Transition Service revenue of \$11,811,122 by \$154,107, the amount of the 2002 Transition Service Adjustment revenue, in order to avoid double crediting customers with the revenue. The correction results in a lowering of the Transition Service Extension Adjustment Factor from (\$0.00080) per kWh as originally reported to (\$0.00058) per kWh.

Ms. Burns explained that the sales forecast on which the rates were calculated was prepared by outside consultants during the fall of 2001. She said that the Company is now in the process of bringing forecasting in-house and emphasized that everything in the Company's filing is reconcilable.

Ms. Rodrigues discussed the Company's estimated 2003 transmission and ISO New England expenses. She said the Company takes service and is charged pursuant to three FERC tariffs: NEP Tariff No. 9, NEPOOL Tariff No. 1, and ISO New England Tariff No. 1. Based on these tariffs the Company is estimating the total transmission and ISO expenses for 2003 to be approximately \$4.7 million, a 14.4 percent decrease in the amount estimated for 2002. She noted that the Company's estimated 2003 transmission expense includes an estimate for congestion costs for January and February, 2003 based on historical 2002 costs for the same months. After March 3, 2003, congestion costs are

no longer reflected as a transmission expense,⁴ which she said is the primary reason for the decrease in the 2003 transmission expense estimate. The decrease is reflected in the 2003 Transmission Service Cost Adjustment Factor.

Ms. Burns discussed the Transition Service related factors and the changes resulting from the Commission's approval of the extension of Transition Service. She said that the extension of Transition Service will require only one reconciliation, instead of two reconciliation and recovery mechanisms. The Company proposes to apply the 2003 Transition Service 1 Adjustment Factor, which is a credit, to all Transition Service customers rather than to only Transition Service 1 customers, on grounds that this is a fair and equitable disposition and in view of the fact that there is no longer a distinction between Transition Service 1 and its customers and Transition Service 2 and its customers. The Company proposes to reflect any remaining balance, either positive or negative, in the Transition Service 1 Adjustment and/or the Electric Service Adjustment Factor after December

⁴ The Company's filing stated that under its wholesale Transition Service contract with Constellation Power Source, Inc. (Constellation), upon implementation of Standard Market Design (SMD), which is expected to occur March 1, 2003, Constellation will be responsible for any congestion costs associated with serving the Company's Transition Service customers. Ms. Burns explained the Company will not be billed by ISO New England or any future transmission entity for congestion costs after SMD goes into effect.

2003 as an adjustment to the Transition Service Extension reconciliation in 2004. Ms. Burns noted the Company is not proposing to change its base Transition Service rates in this filing as those have been previously approved by the Commission. She reported that 49 of the Company's customers are not taking Transition Service, and none of them are residential customers.

Regarding the SBC, Ms. Burns said the change in the termination date of the IEAP does not require any changes to be made to the Company's filing, except that the Company would extend its reconciliation through March 31, 2003, the new end date of the IEAP. According to Ms. Burns, the Company is proposing that the balance in the SBC reconciliation, which concerns the IEAP and not the Electric Assistance Program (EAP), be transferred to the EAP at that time. However, the Company will do whatever the Commission deems to be appropriate in this situation.

Ms. Burns also explained the Company's proposal regarding the transfer of the final \$1,966 tax surcharge underrecovery balance to the Electric Service Reconciliation. She said the balance was so small it would have no effect on the 2003 Electric Service Adjustment Factor. She also noted that the same customer group which received the benefit of the underrecovery would bear the burden of paying it.

B. OCA

OCA cross examined the Company's witnesses on several subjects, including the correction to Schedule TMB-14, the Company's sales forecast, and a comparison of monthly transmission expense with sales. At the conclusion of the hearing, OCA stated that it did not object to the Company's filing or rate requests.

C. Staff

Staff cross examined the Company's witnesses on several subjects, including the transfer of the \$1,966 surcharge balance to the Electric Service Adjustment Factor, the operation of the various Transition Service adjustment factors, administrative costs of Default Service, forecast transmission expense, and SBC-related matters.

III. COMMISSION ANALYSIS

This filing is the latest in a series of annual retail rate filings. Our most recent order approving such a filing was *Granite State Electric Company*, 86 NH PUC 935 (Order No. 23,883, December 31, 2001). This year's filing requests us to approve decreases in all the charges and factors presented, amounting to an overall decrease of 7.3 percent for a 500 kWh residential customer receiving Transition Service. Having carefully reviewed the record in this docket, we are persuaded to approve

the Company's filing.

We will also approve the Company's oral request to transfer the \$1,966 tax surcharge underrecovery to the Electric Service Adjustment Factor reconciliation as this will promote administrative efficiency and is not unfair to any customer group. Accordingly, docket DE 02-223 may now be closed. Furthermore, we will accept the Company's proposal for applying the 2003 Transition Service 1 Adjustment Factor to all transition service customers.

In this Order, we do not rule on the Company's proposal to transfer the balance in the Company's SBC reconciliation to the EAP. In *Statewide Low-Income Electric Assistance Program*, Order No. 24,036 (August 16, 2002), we said we would specify the treatment of interim program account balances through a secretarial letter.

We note that the Company relied on a sales forecast prepared in the fall of 2001. We suggest that the Company consider updating this forecast, either by in-house forecasting personnel or otherwise, before the 2004 retail rate proceeding.

Based upon the foregoing, it is hereby

ORDERED, Granite State Electric Company's proposed Stranded Cost Adjustment Factor; Transmission Charge, including the Transmission Service Cost Adjustment Factor; Transition Service 1 Adjustment Factor; Electric Service Factor; and the Transition Service Extension Adjustment Factor are approved as described herein; and it is

FURTHER ORDERED, that the Company's proposal to transfer the remaining \$1,966 undercollection balance from DE 01-096 to the Electric Service Adjustment Factor is approved; and it is

FURTHER ORDERED, that docket DE 02-223 be closed.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of December, 2002.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary