

DE 03-224

GRANITE STATE ELECTRIC COMPANY

Correction of Transition Service and Default Service  
Reconciliations

Order Nisi Approving Revised Transition Service Adjustment Factor

O R D E R   N O.   24,288

March 5, 2004

On January 30, 2004, Granite State Electric Company (GSEC), filed with the New Hampshire Public Utilities Commission (Commission) a petition to increase its Transition Service Adjustment Factor by \$0.00258 per kWh effective March 1, 2004.

According to GSEC, the proposed change is necessitated by a recently discovered error in the Transition Service and Default Service reconciliations covering the period from August 2002 through September 2003. GSEC avers that certain revenues were included in these reconciliations which had the effect of overstating the revenue reflected in these reconciliations. As a result, GSEC inappropriately credited customers when they should have been charged.

In accordance with its Electric Service Adjustment Provision (page 83 of GSEC's tariff), GSEC has applied an Electric Service Adjustment Factor (ESAF) to all kWh deliveries for all of its customers. The ESAF was first implemented in January, 2001. Prior to August 2002, all customers were assessed this charge, although GSEC did not separately identify the ESAF

on its bill. Instead, GSEC included it in the distribution charge. To determine the amount it billed for the ESAF, GSEC had to calculate the revenue monthly as the kWhs billed multiplied by the ESAF rate effective at that time.

In August 2002, changes were implemented to GSEC's billing system which allowed the ESAF to be separately identified on customer bills. It was removed from distribution charges on customer bills and from the distribution revenue on GSEC's revenue report. GSEC created a new report to track the revenue billed monthly from the ESAF. GSEC also assumed that the revenue from the ESAF was removed entirely from the revenue report used to perform the other reconciliations.

It has just recently come to GSEC's attention that this was not the case. The ESAF revenue had not been eliminated from the revenue report but had only been transferred from "Distribution" to "Generation" on the revenue report. The "Generation" revenue report was used in the Transition Service and Default Service reconciliations. By doing so, the revenue in these reconciliations was overstated by \$1,595,044, the amount of the ESAF revenue.

Each year, GSEC is required to file for rate adjustments in accordance with the provisions of its tariff and the Amended Restructuring Settlement Agreement approved in DR 98-012 ("Amended Settlement Agreement"). Because GSEC has only just

identified this error, it affects the prior two annual filings. DE 02-213 was opened on November 27, 2002 for the purpose of reconciling the revenues for calendar year 2002. With regard to its Transition Service reconciliation, and because of the erroneous inclusion of the ESAF revenue, GSEC calculated its rate based on an estimated over-recovery of \$401,446. However, the revenues associated with this should have been reduced by \$623,924 (as well as an interest impact of \$4,046), resulting in an under-collection of \$226,524.

A similar miscalculation occurred in GSEC's filing made on November 24, 2003, for the purpose of reconciling the revenues for 2003. In reconciling the Transition Service revenue, ESAF revenue was again mistakenly included. This led GSEC to conclude that it had over-collected \$741,262 when, in fact, it had under-collected \$260,786. Correction of that error results in a revenue reduction of \$971,119 (as well as an interest impact of \$30,930).

Based on the original filings, the rate approved in DE 02-213 (for effect during 2003) was a credit of \$0.00058 per kWh and the rate approved in DE 03-224 was a credit of \$0.00107. The corrected rates should have been a charge of \$0.00032 during 2003 and a charge of \$0.00037 for the current year.

The same error of overstating ESAF revenue impacts the Default Service reconciliation, but to a lesser degree. Since

the balance in the default account was relatively small, no GSEC customers were billed under the Default Service tariff until January 2003. The correction of this error changes the under-recovered balance from \$51,079 to \$52,444. The increase of \$1,365 has no effect on the currently approved charge of \$0.00006 per kWh.

GSEC has suggested the following to correct its error: End the 2004 Transition Service Adjustment Factor credit of \$0.00107 per kWh as soon as possible to avoid exacerbating the over-credit situation.

GSEC has also identified the following amounts as those which should be recovered from its customers: (1) \$415,205, which is the amount actually refunded to customers during 2003 based on the Transition Service Adjustment Factor credit of \$0.00058 (the estimated over-recovery had been \$401,446 as mentioned above), (2) \$226,524, which is the under-recovery for 2003, and (3) \$260,786, which is the under-recovery for 2004. These three amounts total \$902,516, and GSEC proposes to recover that by implementing a revised 2004 Transition Service Adjustment Factor of \$0.00151 per kWh. Since this change is necessitated by GSEC's error, GSEC does not propose to charge interest to Transition Service customers on the balance to be recovered. GSEC also proposes to let the credit that is now being provided to customers flow through this year's Transition Service

reconciliation. The Default Service Adjustment Factor would remain the same, as the error has no effect on the rate.

The correction of this error in over reporting revenue would increase the bill of a 500 kWh residential Transition Service customer by \$1.29 or 2.4%, raising the amount of the bill from \$54.39 to \$55.68. The \$0.00258 increase in the rate is the result of imposing a charge of \$0.00151 in lieu of the credit of \$0.00107 which is currently in effect.

We agree with GSEC's proposal for correcting its error. We will order that the credit of \$0.00107 which has been erroneously in effect since January be stopped so as to no longer exacerbate the situation. We will allow the amount already refunded in error to flow through until next year's reconciliation. We will also direct GSEC to revise its Transition Service Adjustment Factor and begin charging its customers the amount of \$0.00151 per kWh. As GSEC has also proposed, no further interest will be charged on the amount to be collected from its customers as a result of this revised Transition Service Adjustment Factor.

**Based upon the foregoing, it is hereby**

**ORDERED NISI**, that Granite State Electric Company's petition to end the Transition Service Adjustment Factor credit of \$0.00107 per kWh is APPROVED; and it is

**FURTHER ORDERED**, that a revised Transition Service Adjustment Factor charge of \$0.00151 per kWh be implemented; and it is

**FURTHER ORDERED**, that the credit already refunded in error for this year be allowed to flow through to next year's reconciliation; and it is

**FURTHER ORDERED**, that the Default Service Adjustment Factor remain the same; and it is

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than March 15, 2004 and to be documented by affidavit filed with this office on or before March 29, 2004; and it is

**FURTHER ORDERED**, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than March 22, 2004; and it is

**FURTHER ORDERED**, that any party interested in responding to such comments or request for hearing shall do so no later than March 29, 2004; and it is

**FURTHER ORDERED**, that this Order Nisi shall be effective March 5, 2004, for services rendered on and after March

1, 2004, subject to reconsideration if necessary, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED**, that the Petitioner shall file a compliance tariff with the Commission on or before April 5, 2004, in accordance with N.H. Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this fifth day of March 2004.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Graham J. Morrison  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary