STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 12-341

GRANITE STATE ELECTRIC COMPANY d/b/a LIBERTY UTILITIES

Annual Retail Rate Adjustment Filing

Order Approving Filing

O R D E R N O. 25,446

December 27, 2012

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On November 27, 2012, Granite State Electric Company d/b/a Liberty Utilities (Liberty or Company) filed a request for approval of certain retail rate adjustments to its stranded cost and transmission service charges for effect on January 1, 2013, with supporting testimony, related exhibits and attachments. Based on the filing, the aggregate impact of all rates in this filing for a typical customer using 665 kilowatt hours (kWh) per month, the average monthly usage over the twelve-month period from November 2011 through October 2012, will be a monthly bill increase of $1.58 or 1.72%, from $92.14 to $93.75. The proposed rate adjustments were filed pursuant to the Amended Restructuring Settlement Agreement (Settlement Agreement) as approved by the Commission in *Granite State Electric Co*., Order No. 23,041, 83 NH PUC 532 (October 7, 1998).

In its filing, Liberty proposed to increase its average stranded cost charge from 0.090 cents per kWh to 0.150 cents per kWh. The stranded cost charge permits Liberty to recover

Contract Termination Charges (CTC) billed to it by New England Power Company (NEP) in connection with the termination of NEP's all-requirements power contracts with National Grid, now Liberty Utilities,[1] upon the advent of retail competition. On December 3, 2012, National Grid filed NEP's reconciliation of the costs and revenues under its CTC formula for the prior period October 1, 2011 through September 30, 2012 (Docket No. DE 12-348). According to Liberty, the CTC report supports the stranded cost charge of 0.150 cents per kWh for 2013. The proposed rate of 0.150 cents per kWh is an average rate; the stranded cost charge also includes class-specific adjustment factors to reflect class-specific reconciliations, where necessary.

Liberty's proposed transmission service charge is intended to recover costs the Company incurs in providing transmission service to its customers. Transmission service rates incorporate a separate transmission factor for each rate class. The transmission factors are designed to recover estimated transmission expenses during the upcoming calendar year, adjusted for over- or under-recoveries that occurred in the prior reconciliation period. Liberty estimates that total transmission expenses will result in an average transmission charge of 1.860 cents per kWh, an increase from the current rate of 1.554 cents per kWh. Finally, Liberty proposes to include in rates a GreenUp Service Recovery Adjustment charge for its renewable energy offering which, in this case, constitutes a credit of 0.001 cent per kWh over the current adjustment of 0.000.

On December 3, 2012, the Commission issued an Order of Notice scheduling a hearing for December 19, 2012. The hearing was held as noticed.

---

[1] On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which Liberty Energy Utilities (New Hampshire) Corp. acquired Granite State Electric Company and EnergyNorth Natural Gas, Inc. from National Grid.

II. POSITIONS OF THE PARTIES

A. Liberty Utilities

1. Stranded Cost Adjustment Charge

Liberty testified that the proposed stranded cost charge consists of two components: (1) a uniform per kWh charge it collects from all customers reflecting the CTC assessed by NEP, and (2) rate-class specific adjustment factors reflecting the reconciliation of any excess or deficiency in stranded cost recovery from that rate class in the prior year. Liberty testified that the proposed adjustments comply with its tariff, which provides for adjustments to the stranded cost charge as a result of any changes in the CTC assessed by NEP as well as the rate-specific reconciliation described above. Liberty's filing proposes to increase the uniform stranded cost charge it currently assesses from 0.090 cents per kWh to 0.150 cents per kWh (excluding rate class-specific adjustment factors) for the period beginning January 1, 2013 for use on and after that date.

Liberty testified that on December 3, 2012, National Grid filed with the Commission NEP's report on the reconciliation of CTCs assessed to National Grid and to Liberty. In that report, NEP reconciled the costs and revenues under its CTC formula during the period October 1, 2011 through September 30, 2012. According to Liberty, the CTC report and related calculations support the calculation of stranded costs assessed to Liberty for which Liberty seeks recovery in its petition. Liberty said that, consistent with prior practice, Staff will examine the CTC in more detail in Docket No. DE 12-348 and, in the event that an adjustment is required, Liberty will reflect the adjustment in its CTC reconciliation account and CTC filings for 2013.

2. Transmission Service Cost Adjustment

The filing includes a change in transmission-related rates for costs incurred by Liberty and recovered through the transmission service cost adjustment (TSCA) in its tariff. Liberty testified that base transmission rates are established annually and premised on a forecast of transmission costs incurred by the Company to provide transmission service to its retail delivery service customers. To obtain transmission service, the Company contracts with entities authorized by the Federal Energy Regulatory Commission (FERC) to provide transmission service in New England, such as NEP and the Independent System Operator-New England (ISO-NE).

NEP and ISO-NE assess transmission service charges to Liberty to cover the cost of providing transmission over regionally networked facilities, more commonly known as Pool Transmission Facilities (PTF) or bulk transmission facilities, which serve as New England's electric transmission "highway." The service provided over these facilities is referred to as Regional Network Service (RNS). The ISO-NE RNS rate recovers RNS costs on a regionalized basis and is determined annually based on an aggregation of the 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, considered non-PTF facilities. The service provided over the Non-PTF is referred to as Local Network Service (LNS) facilities).

Under the TSCA, the Company is permitted to recover costs billed to it by ISO-NE and NEP. The TSCA permits full reconciliation of transmission revenue and expenses, including adjustments for any over- or under-recovery of transmission costs from prior reconciliation periods. The 2012 reconciliation reflects actual transmission revenue for the period October 2011 through September 2012 and actual transmission expenses for the period October 2011 through August 2012, plus estimated expenses for September 2012.

According to prefiled testimony, Liberty's proposed average transmission service charge for 2013 of 1.860 cents per kWh consists of two components: (1) a uniform transmission service adjustment factor which is the reconciling mechanism in the transmission service charge, and (2) a transmission service rate that varies by rate class.

The Company estimated a 2013 transmission service adjustment factor of 0.063 cents per kWh which reflects a transmission service under-collection of $596,582 from the prior reconciliation period. The factor was calculated by dividing the under-collection of the transmission service expense at September 2012 by the forecasted 946,230,588 kWh sales for 2013. Liberty proposed the transmission service adjustment factor for effect for service rendered on and after January 1, 2013. According to the Company, the estimated adjustment factor would be applied to bills of all customers taking transmission service through Liberty.

Liberty calculated an average proposed transmission service rate of 1.797 cents per kWh, an increase over the current effective average transmission rate of 1.670 cents per kWh. Liberty testified that the increase results from an increase from the prior year forecast of transmission expense, primarily due to an additional $1,268,548 in ISO-NE RNS charges based on the PTF transmission plant investment forecast to be "in-service" in 2013 across New England. In addition, Liberty's LNS charges are estimated to increase by $421,935 due to the forecasted increase in NEP's overall revenue requirements. Liberty testified that, according to forecast, an estimated $1.172 billion of PTF plant additions will occur in 2013. According to the Company, the two largest transmission projects in New England where a portion of the project has an in-service date during 2013 are (1) Central Maine Power's Main Power Reliability Program, and (2) National Grid's and Northeast Utilities' New England East-West Solution. Liberty said that the transmission owners forecast a similar level of investment in transmission projects through 2016.

In the calculation of the estimated transmission expenses for 2013, Liberty included an ISO-NE Disgorgement Fund Credit of $144,563. In prefiled testimony, Liberty said that it expected to receive this credit as a result of a Stipulation and Consent Agreement (Consent Agreement) entered into between Constellation Energy Commodities (Constellation) and the FERC's Office of Enforcement. *See, Constellation Energy Commodities Group, Inc.*, 138 FERC 61, 168 (2012). The Consent Agreement created the Disgorgement Fund for the benefit of electric customers in affected markets. Liberty testified that on October 18, 2012, the FERC approved a Joint Stipulation filed by the regulatory agencies[2] in the six New England states that proposed an allocation and distribution plan for the Disgorgement Fund. According to the Company, the Joint Stipulation requires Liberty to distribute its portion of the credit in an efficient and timely manner. In its filing, the Company included a one-time credit of $144,563 in its calculation of 2013 transmission expense. Liberty testified at hearing that, the Company had actually received the credit of $144,563 from the ISO-NE in its most recent billing.

3. <u>GreenUp Recovery</u>

Liberty explained that, as approved by the Commission in Order No. 25,101 (May 7, 2010) in Docket DE 09-225, the Company offers GreenUp as a market-based, renewable tariff-based option for residential and small default service customers. According to the Company, the

[2] The New Hampshire Public Utilities Commission was one of the signatories to the Joint Stipulation.

GreenUp Service Recovery Provision provides for reconciliation of administrative costs incurred by the Company for providing GreenUp Service in accordance with RSA 374-F:3, V(f). The GreenUp Service Recovery Adjustment (GSRA) factor is a uniform cents per kWh factor applicable to all kilowatt-hours delivered by the Company to customers taking retail delivery service under each of the Company's rates.

Under the GreenUp Service Recovery Provision in the Company's tariff, the GSRA factor is established annually based on a forecast of GreenUp Service administrative costs and should include full reconciliation for any over- or under-recoveries occurring in the prior year. Liberty explained that within the first year of the program, the Company experienced an over-recovery of $12,000 which reduced the factor to zero. The over-recovery was carried forward to 2012 and the Company now proposed a uniform GSRA credit of 0.001 cents per kWh. Liberty said that the Company does not anticipate increasing administrative costs as program participation has remained relatively low and has not appeared to respond to marketing efforts.

Liberty requested that the Commission approve the retail rate adjustments contained in its November 27, 2012 filing and issue an order so the rates could take effect January 1, 2013.

B. Commission Staff

Staff stated that it had reviewed the filing and that the rates were appropriately calculated in a manner consistent with prior filings and that the forecasted costs were reasonable. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

RSA 378:7 vests the Commission with the responsibility to determine whether rates charged to retail utility customers in New Hampshire are just, reasonable and lawful. RSA 374-

F:4, VIII(a) further authorizes the Commission 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. Among the principles relevant to this proceeding are the objectives of 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 relevant to this proceeding were made in Granite State Electric Co., Order No. 23,041 (October 7, 1998) 83 NH PUC 532, approving the rate adjustment mechanisms reflected in Liberty's current proposal. Each component charge, however, deserves some discussion.

First, we address the proposed stranded cost charge. Liberty proposes to increase the stranded cost charge from 0.090 cents per kWh to 0.150 cents per kWh. As in prior years, we have opened a separate docket (DE 12-348) for the review of the CTC reconciliation and report filed by National Grid to allow for Staff review of the report and the associated stranded cost charge. As the CTC encompasses a variety of cost categories, the separate CTC docket allows for the appropriate review of those costs while allowing the revised stranded cost charge to go into effect, subject to potential adjustment. We direct Staff to file a summary and recommendation following its review of the CTC reconciliation and report. In the event that an adjustment is necessary based on Staff's review, the Company will make the required adjustment in its CTC reconciliation account and incorporate it into its CTC filings and stranded cost rate for 2013. On the foregoing basis, we conditionally approve the proposed stranded cost charge subject to the review to be undertaken in DE 12-348.

The proposed average transmission service charge of 1.860 cents per kWh incorporates two components. Specifically, the transmission service adjustment factor of 0.063 cents per kWh reflects an under-recovery of $596,582 in transmission expense, and the average transmission service rate of 1.797 cents per kWh represents the forecasted rate calculation of transmission expenses for 2013. According to Liberty, the largest increase in its average transmission service rate is $1,268,548 for RNS transmission charges based on the PTF transmission plant investment forecasted by the transmission owners to be "in-service" in 2013 across New England. The PTF expenses are incorporated into the overall RNS charges which, in turn, are reflected in charges to Liberty.

The transmission service costs in question are derived from FERC-approved tariffs and subject to FERC jurisdiction. These costs are then applied in accordance with the rate mechanism approved in Order No. 23,041. Accordingly, we approve Liberty's request to increase the average transmission service rate to 1.860 cents per kWh as of January 1, 2013. We also approve Liberty's request to change the transmission service adjustment factors for the various rate classes as proposed in its November 27, 2012 filing.

According to Liberty, the Consent Agreement between FERC and Constellation, and the Joint Stipulation approved by FERC on October 18, 2012, set forth a proposed allocation and distribution plan for the resulting Disgorgement Fund Credit. Consistent with the terms of those agreements, Liberty stated that it included a one-time offset of $144,563 in its calculation of

2013 transmission expenses. Liberty testified at hearing that it had actually received the credit of $144,563, and we find it reasonable that Liberty apply the $144,563 credit to offset its 2013 transmission expenses in calculating customer rates. In its next annual filing, we direct Liberty to record the credit of $144,563 in the month the credit was actually received in the calculation of its transmission service reconciliation.

Finally, we approve Liberty's proposed credit of 0.001 cents per kWh in connection with the GreenUp program. We note that the Company has indicated that the GreenUp program, which is an offering made pursuant to RSA 374-F:3, V(f), has low customer participation and agree that it is appropriate to credit the over-recovery to customers beginning with rates effective January 1, 2013.

Based upon the foregoing, it is hereby

ORDERED, that, as detailed above, the retail rate adjustments and adjustment factors proposed by Granite State Electric Company d/b/a Liberty Utilities in its filing of November 27, 2012 are hereby APPROVED effective January 1, 2013; and it is

FURTHER ORDERED, that Liberty Utilities file appropriate tariff changes that conform to this Order within 30 days hereof pursuant to N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of December, 2012.

Amy L. Ignatius Chairman	Michael D. Harrington Commissioner	Robert R. Scott Commissioner

Attested by:

Debra A. Howland
Executive Director