

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 12-362**

**ELECTRIC UTILITIES**

**Rebate of Excess Regional Greenhouse Gas Initiative Allowance Auction Proceeds to  
Default Service Customers**

**Order Directing Rebate**

**ORDER NO. 25,471**

**March 8, 2013**

**I. PROCEDURAL HISTORY**

In 2012, the New Hampshire Legislature amended RSA 125-O:19 *et seq.*, the Regional Greenhouse Gas Initiative (RGGI) statute, effective January 1, 2013. 2012 N.H. Laws Ch. 281. Pursuant to the RGGI statute, the State of New Hampshire participates in the quarterly auction of emissions allowances that comprise the state's annual allocation for carbon dioxide (CO<sub>2</sub>) emissions. Prior to 2013, the proceeds from such auctions were deposited into the Greenhouse Gas Emissions Reduction Fund. The Commission manages the Fund pursuant to RSA 125-O:23 and New Hampshire Code Admin. Rules Puc 2600.

Effective January 1, 2013, revenues from the quarterly auctions of New Hampshire's annual CO<sub>2</sub> allowances are to be deposited in a newly created Energy Efficiency Fund which replaces the Greenhouse Gas Emissions Reduction Fund. The amended statute also requires that any auction revenues in excess of one dollar received for each RGGI allowance be rebated to "all default service electric ratepayers in the state on a per kilowatt-hour [kWh] basis, in a timely manner to be determined by the commission." Ch. 281:4. RGGI auctions are conducted in

March, June, September and December of each calendar year. Based on this schedule, the first RGGI auction implicated by the changes to RSA 125-O:19 *et seq.* occurs in March 2013.

On December 21, 2012, the Commission issued a Notice of Public Comment Hearing to receive comment on the method and timing by which it should administer the rebate to default service electric ratepayers consistent with the requirements of the amended statute. On January 2, 2013, the Office of Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28. At the public comment hearing, New Hampshire Electric Cooperative, Inc. (NHEC), Public Service Company of New Hampshire (PSNH) and Granite State Electric Company d/b/a Liberty Utilities (Liberty) offered oral comment. The Commission also permitted interested parties to submit written public comment and, on January 28, 2013, Liberty and Unil Energy Systems, Inc. (UES) filed written comments.

## **II. PUBLIC COMMENT**

### **A. New Hampshire Electric Cooperative, Inc.**

According to NHEC, the RGGI revenue rebate process should (1) rebate RGGI auction proceeds as required by law; (2) be transparent and verifiable; (3) minimize administrative and regulatory expense and burdens; and (4) minimize additional complexities or confusion regarding the energy service<sup>1</sup> rate established by each of the utilities.

NHEC noted that one issue mentioned in the Notice of Public Comment Hearing was whether RGGI auction proceeds should be allocated to the utilities based on the amount of RGGI costs paid by customers. NHEC explained that it purchases power through many wholesale power supply contracts with different entities, over different time periods, and there is no way to determine how much of the power supply price is due to embedded RGGI costs. Consequently,

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<sup>1</sup> The electric utilities refer to their default service offerings as either “default service” or “energy service,” and those terms, have the same meaning for purposes of this order.

based on how NHEC purchases power, the RGGI cost data is not known with any degree of accuracy.

Instead of allocating the available RGGI revenue by costs, NHEC suggested that the Commission allocate available revenue based on utility-specific historical energy service kWh load data. NHEC said that it would be logical to use the most recent calendar year 12-month data because that data is available to all utilities and closely matches the load the utilities would expect to serve during the time period when the rebate would be in effect. NHEC recommended against allocating the available RGGI revenue based on the number of default service customers because, regardless of how many customers a utility has, the rebate by law must be allocated on a per kWh basis.

NHEC also recommended that the rebate of available RGGI revenue to customers should be effectuated through fully reconciling accounts and should be implemented by each utility when setting its periodic default service or energy service rates, using the same timing for those rate changes and methodologies that each utility uses. In implementing the customer credit, NHEC said that it currently sets its energy service rates twice a year and that it proposes to include the RGGI rebate revenue amount in the calculation of those rate changes.

Finally, NHEC said that the Commission should not require a separate line item on the bill to show the per kWh RGGI credit. NHEC said including a separate notation on the bill for the RGGI credit would not only add expense but would be an additional item on bills that are already somewhat complicated due to the addition of various charges over the years. NHEC also pointed out that current bills do not include an identified per kWh RGGI cost.

**B. Public Service Company of New Hampshire**

PSNH said that any available RGGI auction revenue should be allocated on the basis of each utility's proportionate share of the total state-wide RGGI compliance costs. PSNH favored this approach because its customers pay for two sources of RGGI costs—(1) RGGI costs associated with the use of PSNH's generation fleet and (2) the RGGI costs embedded in the power that PSNH purchases on the open market. PSNH said that allocation of available RGGI auction amounts based on costs also appeared to be consistent with the legislative intent.

To implement its cost-based approach, PSNH proposed to use the Independent System Operator-New England (ISO-NE) average emissions data to determine the average CO<sub>2</sub> emissions on an average per megawatt-hour (MWh) associated with market purchases of power by utilities in a given calendar year. The average CO<sub>2</sub> emissions would be multiplied by average RGGI auction costs for the applicable time period to establish a per MWh cost for RGGI compliance. To determine its share of available RGGI auction proceeds, each utility would multiply per MWh RGGI compliance cost by the total MWhs that utility delivered in the state for the relevant calendar year to arrive at its total RGGI compliance cost for the year. The ratio of each utility's RGGI compliance costs relative to the total costs for RGGI compliance for all New Hampshire electric utilities for that year would represent that utility's percentage share of any RGGI auction revenues available for rebate to default service customers. PSNH proposed to credit the rebate to customers on a per kWh basis.

Because it still owns a generation fleet, PSNH said that it would have to take an additional step to calculate its total RGGI compliance costs to take into account the costs associated with its generation. After calculating its RGGI compliance costs for market purchases, which would be calculated on the same basis as other utilities, PSNH would calculate

the CO<sub>2</sub> emissions associated with its owned generation used to supply power for the relevant period. PSNH said it would multiply the MWh produced from its generating units that emit CO<sub>2</sub> by the average RGGI auction costs and add that product to the RGGI costs incurred by its purchases at the ISO-NE to derive its total RGGI compliance costs.

PSNH asserted that power purchase agreements (PPAs) associated with non-CO<sub>2</sub> emitting sources would have to be excluded from the calculation of RGGI costs but the Company had not worked out the detail associated with the exclusion. Finally, PSNH voiced its agreement with NHEC that the RGGI rebate should not be identified as a separate line item on customers' bills.

### **C. Granite State Electric Company d/b/a Liberty Utilities**

Liberty said that the Commission's Order of Notice asked for comments on two general issues: (1) how to allocate the available RGGI auction revenues among the electric utilities, and (2) how the electric utilities should distribute the RGGI credits to their default service customers. Liberty advocated that any allocation or distribution process of available RGGI auction revenues should result in a process that is transparent, efficient and consistent across all utilities.

Liberty suggested that the allocation of available RGGI auction revenues among the electric utilities be based on information that is publicly available and timely, such as historic default service sales. According to Liberty, attempting to allocate RGGI auction revenues based on RGGI costs would require most utilities to develop estimates of their RGGI costs because the wholesale transactions to serve default service load cannot be broken down into their individual market components. Further, Liberty argued that PSNH's suggestion to allocate available RGGI auction revenues based on a combination of actual and proxy RGGI costs does not make a significant difference in the ultimate allocation among the electric utilities.

Liberty also recommended that the Commission use an electric utility's existing rate adjustment filing for the distribution of available RGGI auction revenues to its default service customers. Liberty proposed to credit the RGGI rebate amount to customers in its annual default service reconciliation filing and averred that the Commission could readily verify the RGGI revenues as part of its review of the reconciliation filing. Liberty stated that interest would apply to RGGI amounts received and held by Liberty prior to the conclusion of its annual reconciliation filing. Finally, Liberty stated that there is no need to add a separate line item to customers' bills for the per kWh RGGI rebate amount.

**D. Unitil Energy Systems, Inc.**

UES proposed that the Commission use each company's proportion of default service kWh sales to the total of such kWh sales for all the utilities during the period covered by the available RGGI auction revenue to allocate the revenue among the utilities. Regarding the basis for crediting any RGGI rebate amounts, however, UES argued that using the historical data would unnecessarily complicate the calculation because the "historical" default service customers may or may not be the same customers who will receive the credit. Rather, UES suggested that the Commission require the utilities to use a forward-looking kWh based calculation to allocate the RGGI rebate to customers. UES said it proposed to use a unique reconciling model to track the RGGI auction revenues as well as the credits to customers. In addition, UES said that the revenue related to RGGI would be credited at the time that the revenues are received.

UES said that it intended to provide credits to customers, in the form of a uniform per kWh rate, every six months using its current default service timetable where rates are effective June 1 and December 1 of each year. UES stated that the RGGI rebate amount would be

included as revenue in the calculation of the total default service price. Finally, UES asserted its opposition to modifying customer bills to denote the rebate amount because it would add an unnecessary complexity to the process and would be burdensome.

#### **E. Office of Consumer Advocate**

The OCA said that the principles guiding the process should include timeliness in providing the RGGI rebate to customers and assuring that the rebate is processed to customers in as economic manner as possible. The OCA said that it did not object to the different electric utilities' allocating the credit to customers at different times provided that customers receive the value of the money in a timely manner.

#### **F. Commission Staff**

Staff suggested that available RGGI revenues be allocated among utilities in proportion to the ratio of a utility's historic annual load relative to the total load served in New Hampshire. In response to PSNH's proposal, Staff said that it may make sense to allocate RGGI rebate moneys as proposed by PSNH because some of its load is served by its own generation. Staff stated that regardless of how the RGGI rebate moneys are allocated, inequities will result because of the statute's direction that moneys be rebated to default service customers only, and some customers who paid the RGGI costs may not be recipients of the rebate.

### **III. COMMISSION ANALYSIS**

The amended RGGI statute requires, among other things, that any auction revenue amounts in excess of one dollar received for each RGGI allowance be rebated to "all default service electric ratepayers in the state on a per kilowatt-hour basis, in a timely manner to be determined by the commission." Ch. 281:4. We opened this docket to take comment on the

method and timing by which the Commission should direct the rebate of the available auction revenues to default service electric ratepayers consistent with the requirements of the statute.

We agree with the utilities that the rebate does not warrant the inclusion of a line item in customer bills. As the record states, we currently do not require a separate line item for RGGI costs, and there is an administrative and monetary expense associated with adding more information on customers' electric bills. Further, given current conditions, we expect that the rebate amount will not be significant. For these reasons, we will not require the utilities to include a line item on the bill to denote the RGGI rebate.

Next we address the allocation of available RGGI auction revenues to the electric distribution utilities. Liberty, UES and NHEC suggested that we use each company's proportional share of default service load relative to the total of such kWh sales in New Hampshire as the basis to allocate any available RGGI revenues. PSNH proposed that instead of allocating the rebate by load, the Commission use each company's proportional share of RGGI costs, relative to the total RGGI compliance costs for all utilities, and allocate any RGGI revenues available for rebate on that basis

We have reviewed the hearing transcript and written comments and based on our review, we find that it would be just and reasonable to use the historic default service load data to calculate the allocation of available RGGI auction revenues among the four electric distribution utilities. We will use readily available default service load data for each utility for the immediate prior calendar year, and calculate each utility's proportional share of default service kWh sales relative to the total of such kWh sales in New Hampshire in that year. Each utility would receive its proportionate share of any available RGGI revenue in the then-current year. For example, if Utility A's load constituted 20% of the New Hampshire default service load for



2012, Utility A would receive 20% of the 2013 RGGI auction revenues available for the rebate. We believe that this simplified approach is just and reasonable, administratively efficient, consistent with the statute, and serves the public interest.

We appreciate that PSNH favors a cost-based approach; however, we find that a cost-based approach introduces unnecessary complexity to the rebate without guaranteeing any more precision in the allocation of RGGI revenues. As Staff noted, there is inherent inequity in the statutory design of the rebate in that customers who paid for RGGI costs in the past may not benefit from a rebate if they do not take default service from a distribution utility. Furthermore, we are not convinced that the resulting allocation on the basis of cost would be significantly different from an allocation based on historical default service load.

The amended statute requires the rebate be made on a kWh basis in a timely manner. Liberty indicated that it intended to apply the credit in its annual reconciliation filing. We find that applying the credit on an annual basis does not meet the timeliness requirement of the law. Consequently, we direct Liberty, UES and PSNH to include the RGGI revenues in the calculation of the reconciliation contained in the periodic default service filings conducted by each of those companies following their existing timetables on a frequency no longer than every six months. We understand that NHEC also proposed to credit the revenue from the RGGI rebate to its customers on a six-month basis and we direct NHEC to provide a report on an annual basis summarizing the reconciliation of RGGI rebate revenues in its energy service rates for the prior calendar year. NHEC shall submit the report within 60 days of the end of the calendar year.

In addition, we direct the utilities to treat the RGGI revenue consistent with each company's reconciliation methodology and to add the applicable interest rate to any such

revenues in the calculation of the respective default service rate. Finally, we direct each utility to include the receipt of the RGGI revenue in its reconciliation process in the month in which the revenue is received to insure timely crediting of the rebate to default service customers.

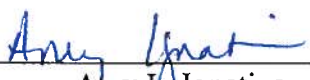
**Based upon the foregoing, it is hereby**

**ORDERED**, that Granite State Electric Company d/b/a Liberty Utilities, New Hampshire Electric Cooperative, Inc., Public Service Company of New Hampshire and Unutil Energy Systems, Inc. shall be allocated RGGI auction revenue amounts in excess of one dollar received for each RGGI allowance as detailed herein and shall rebate any amounts on a per kWh basis to existing default service customers on a frequency no greater than every six months; and it is

**FURTHER ORDERED**, that each named electric utility shall record the rebate in its periodic reconciliation for the month that the utility actually received the rebate amount; and it is

**FURTHER ORDERED**, that NHEC shall file a report no later than 60 days following the end of the calendar year depicting the reconciliation of RGGI rebate amounts in its energy service rates for the prior calendar year.

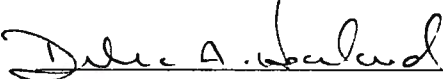
By order of the Public Utilities Commission of New Hampshire this eighth day of March, 2013.

  
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Amy I. Ignatius  
Chairman

  
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Michael D. Harrington  
Commissioner

  
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Robert R. Scott  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director