

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 14-048

ELECTRIC UTILITIES AND COMPETITIVE ELECTRIC SERVICE PROVIDERS

**Rebate of Excess Regional Greenhouse Gas Initiative Auction Proceeds to
All Electric Ratepayers**

Order Directing Rebate

ORDER NO. 25,664

May 9, 2014

In this Order, the Commission sets forth the method and timing to be used by each electric distribution utility to rebate excess RGGI proceeds to all electric service ratepayers. The Order also accepts the methods proposed by Municipal Utilities to rebate any excess RGGI proceeds attributable to their electric service load.

I. PROCEDURAL HISTORY

Pursuant to the Regional Greenhouse Gas Initiative (RGGI) statute, RSA 125-O:19 et seq., the State of New Hampshire participates in the quarterly auction of emissions allowances that comprise the state's annual allocation of carbon dioxide (CO₂) emissions. Effective January 1, 2014, any auction revenue in excess of one dollar received for each allowance is to be rebated to "all retail electric ratepayers in the state on a per-kilowatt hour basis, in a timely manner, to be determined by the commission." RSA 125-O:23, II. Previously, any auction revenues in excess of one dollar were rebated to all "default service electric ratepayers." "Default service electric ratepayers" are those ratepayers who have not chosen to receive service from a competitive supplier.

The law now requires that the rebate be applied to all retail electric ratepayers, a group that consists of *all* customers who receive electric service, whether from an electric distribution utility, a municipal utility, or a competitive electric service provider. The Commission issued an Order of Notice on February 14, 2014, scheduling a public hearing on March 6, 2014, to receive comment on the method and timing by which it should administer the rebate to all electric service ratepayers as required by the amended RGGI statute. The Office of Consumer Advocate (OCA) filed a letter of participation on February 2, 2014. At the public comment hearing, New Hampshire Electric Cooperative, Inc. (NHEC), Public Service Company of New Hampshire (PSNH), Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty Utilities), Unitil Energy Systems, Inc. (UES), Retail Energy Supply Association (RESA), Electricity NH d/b/a ENH Power (ENH Power), the OCA and Commission Staff (Staff) offered comments. The Commission permitted interested parties to submit written comment. PSNH, UES, RESA and the Wolfeboro Municipal Electric Department, the Ashland Electric Department, and the Woodsville Water & Light Department, and the New Hampton Village Precinct (collectively, Municipal Utilities), filed public comment following the hearing.

II. COMMISSION ANALYSIS

The statute at issue in this order is RSA 125-O:23, II, which requires that “[a]ll amounts in excess of the threshold price of \$1 for any allowance sale be rebated to all retail electric ratepayers in the state on a per-kilowatt-hour basis, in a timely manner to be determined by the commission.”

At the outset, we address some issues of general applicability. We have decided that the allocation of RGGI funds among the utilities shall be based on each utility’s proportional share of electric service load relative to the total of kWh sales in New Hampshire. All of the electric

distribution utilities and NHEC support this method of allocation. Each utility will receive its proportionate share of any available RGGI revenues on a quarterly basis. For example, if Utility A's load constituted 20% of electric load for 2013, Utility A would receive 20% of the 2014 auction revenues available for rebate. We believe that this simplified approach is just and reasonable, administratively efficient, consistent with the terms of the statute, and in the public interest. Although the Commission has no jurisdiction over municipal corporations operating within their corporate limits (RSA 362:2, I), other than the direction in RSA 125-O:23, II, the Municipal Utilities providing comment to the Commission agreed with this proposed method of allocation.

The RGGI auctions are held on a quarterly basis, and the Commission currently allocates the excess auction revenues to the electric distribution utilities on a quarterly basis. The 2014 excess revenue will also be allocated on a quarterly basis. Based on the utilities' proposals, including those of the Municipal Utilities, utilities may credit the RGGI rebate to customers on a quarterly, semi-annual, or annual basis. We direct all utilities to book the revenue when they receive it and to apply a carrying charge to the revenue until such time it is rebated to customers. The utility rebate, therefore, will consist of the excess RGGI and applicable interest.

Although the Municipal Utilities can provide a line item for the RGGI rebate amount on customers' bills if they choose to do so, we will not require the electric distribution utilities to include a line item in customer bills. The electric distribution utilities currently do not list a separate item that indicates the customers' share of cost to comply with RGGI, and there are administrative expenses associated with adding more information on the customers' electric bills. We do, however, direct the electric distribution utilities to provide information regarding the RGGI rebate to customers once a year in a regularly scheduled utility mailing.

We have reviewed and considered all comments provided and determined the appropriate method and timing for the rebate of excess allowances on a case-by-case basis as more specifically addressed below.

A. PSNH

PSNH proposed refunding the RGGI proceeds to customers through the System Benefits Charge (SBC). The SBC revenues fund the electric distribution utilities core energy efficiency programs. PSNH explained that the SBC is PSNH's only "pure" kilowatt hour (kWh) charge that PSNH applies to all electric customers' bills. Because the RGGI law requires the refunds to be made on a per kWh basis, PSNH concluded that the SBC was the appropriate rate mechanism to rebate excess RGGI auction proceeds to ratepayers. PSNH also noted that it would not be possible to rebate the RGGI excess proceeds through its Transmission Cost Adjustment Mechanism (TCAM) because certain TCAM rates were not calculated on a per-kWh basis. The OCA expressed concern about addressing the refund through the SBC because the SBC rate has been relatively constant on customer bills and is the same across all distribution utilities in the state.

We have considered PSNH's proposal and its additional comments about the problems associated with using the TCAM, which is adjusted annually, as a mechanism to rebate excess RGGI funds to customers. We also find that it would be confusing to use the SBC as a mechanism to rebate the funds. After deliberation, we have decided that PSNH should use the Stranded Cost Recovery Charge (SCRC) as an appropriate mechanism for PSNH to rebate excess RGGI auction proceeds to electric ratepayers. PSNH charges the SCRC to all electric ratepayers including those ratepayers who have selected a competitive electric supplier, on a per kWh basis and typically adjusts the SCRC on a semi-annual basis. Because the RGGI rebate

would not fall within the definition of an allowable SCRC charge in that it is not related to restructuring,¹ PSNH had not advocated for its use. The RGGI rebate, however, is not a charge but a credit and we find that there is no barrier to requiring PSNH to use the SCRC as a mechanism for crediting the RGGI rebate to all customers. On that basis, we direct PSNH to use the Stranded Cost Recovery Charge as the mechanism to rebate excess RGGI funds to customers on a kWh basis and to use a separate line item in its SCRC filing to record RGGI revenue and the associated interest.

B. NHEC

NHEC stated that its preference was to rebate available excess RGGI revenue on a kWh basis through its Regional Access Charge. The Regional Access Charge, which adjusts on a semi-annual basis, is the mechanism by which NHEC bills customers for NHEC's share transmission-related costs that are regional in nature. NHEC said that the Regional Access Charge continues to increase each year, and the credits resulting from the RGGI rebate will have an insignificant impact on rates.

We find that NHEC's proposal to rebate available excess RGGI revenues through its Regional Access Charge is just and reasonable and approve it as an appropriate mechanism by which to credit excess RGGI revenues to ratepayers. As previously noted, NHEC shall book the revenue when received and the revenue will accrue interest for the benefit of its ratepayers. NHEC shall continue to submit a report summarizing the annual reconciliation of RGGI rebate revenues within 60 days of the end of each calendar year.

C. UES

UES proposed to track any RGGI refunds it receives through its external delivery charge (EDC) rate mechanism. The EDC rate is a reconciling mechanism by which UES bills

¹ See RSA 374-F:1, IV.

customers on a kWh basis for UES's share of transmission costs, and certain stranded costs associated with restructuring. The EDC is adjusted on an annual basis and is billed to all UES customers. UES proposed to record RGGI rebate monies on the month in which they are received. Those monies would accrue interest at the quarterly fixed prime rate, and credits to all retail customers would be included in the annual EDC reconciliation and rate filing.

UES said that it next files the EDC rate for rates effective August 1, 2014. Because the EDC rate has a term of 12 months, UES proposes to include a forecast of any 2014 quarterly RGGI auction refunds not yet received with its annual filing in order to ensure customers are receiving the credit on a timely basis.

We have considered UES's proposal and find that it is an appropriate mechanism by which to credit customer for excess RGGI revenues and is reasonable and in the public interest. UES shall record RGGI revenue and the associated interest in a separate line item in its annual EDC filing.

D. Liberty Utilities

Liberty proposed to credit the RGGI rebate amount it receives from the allocation on a per kWh basis through its retail rate reconciliation mechanism that is adjusted on an annual basis. According to Liberty, the retail rate reconciliation mechanism is the only means by which Liberty can rebate the available RGGI amounts on a per kWh basis. Liberty said that the retail rate reconciliation filing includes customer charges for Liberty's share of regional transmission costs, and stranded costs associated with restructuring.

We agree with Liberty that the retail rate reconciliation is the appropriate mechanism for direct the Company to add a line item to clearly indicate the RGGI revenues and the associated interest so the matter may be investigated in the course of the retail rate reconciliation proceeding.

E. Municipal Utilities

We have reviewed the comments of the Municipal Utilities. Woodsville Water & Light Department (Woodsville) proposed that the rebates be applied on a per kWh basis to customers' bills in the quarter following the quarter in which the funds are received. Woodsville also offered to provide the Commission with a simple annual report explaining what RGGI funds were received in each quarter, how the funds were booked and in which account, accrued interest and the interest rate pertaining to those funds before rebated to customers, and the amount rebated to customers in that calendar year. We appreciate Woodsville's participation in the docket and find that its proposal is reasonable.

Wolfeboro Municipal Electric Department (Wolfeboro) proposed to return the excess RGGI revenues to its customers on a per kWh basis through the mechanism of its Generation Charge which is adjusted every six months. Wolfeboro plans to reconcile the credits with the actual revenue and carry forward any adjustment to the next period. We accept Wolfeboro's proposal and request that it maintain appropriate records that can verify the amount of such revenue received and the credit paid to customers.

Ashland Electric Department (Ashland) proposed to add a line to its bills stating "Rebate of Regional Greenhouse Gas Initiative" with the amount of the rebate stated on a per kWh basis. Ashland stated that in the month it receives the revenue, it would rebate the amount to customers on a one-month basis each quarter. We accept Ashland's proposal and, as with Wolfeboro's

proposal, request that it maintain appropriate records that can verify the amount of such revenue received and the credit paid to customers.

The New Hampton Village Precinct (New Hampton) agreed with Ashland's comments. New Hampton said it purchases electric power from the Vermont Electric Power Supply Authority through the Ashland Electric Department. Because New Hampton is a small operation, it favors a rebate plan that would minimize the frequency with which the rebates are calculated and paid. We appreciate the fact that New Hampton prefers a simplified process to rebate customers any excess RGGI revenue it receives and that it has the authority to do so. New Hampton may credit the rebate on a per kWh basis as it determines to be most administratively efficient. We request that it maintain appropriate records that document the amount of RGGI revenue received and credit applied to customers' bills.

We understand that the remaining municipal utilities will use similar measures to rebate the excess RGGI funds, and so long as the revenues are rebated on a per kWh basis and the municipal utilities maintain appropriate records to verify the revenue received and the credit applied to customer bills, we are satisfied that the statute is met. We will require each of the Municipal Utilities to report annually, no later than 60 days following the end of the calendar year, the rebates that have been credited to their electric customers.

In conclusion, we find that directing the RGGI rebates to electric customers as determined above complies with the statutory requirement and is just and reasonable and in the public interest.

Based upon the foregoing, it is hereby

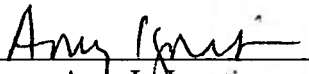
ORDERED, that the mechanisms to rebate excess RGGI revenues by the electric distribution utilities and the municipal utilities as detailed above is hereby **APPROVED**; and it is

FURTHER ORDERED, that each electric distribution utility and each municipal utility shall record the rebate in the month in which it is received and apply a carrying charge on the revenue for the benefit of customers until such time as the revenue is credited in rates; and it is

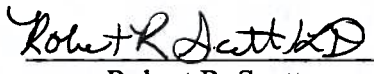
FURTHER ORDERED, that the electric distribution utilities shall provide information about the RGGI rebate to their customers in a regularly-scheduled utility mailing; and shall file the resulting rate adjustments as described above; and it is

FURTHER ORDERED, that NHEC and the Municipal Utilities shall file annual reports addressing RGGI rebates, as described above.

By order of the Public Utilities Commission of New Hampshire this ninth day of May, 2014.



Amy L. Ignatius
Chairman

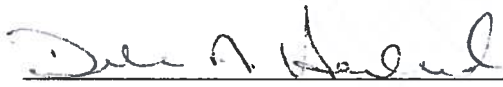


Robert R. Scott
Commissioner



Martin P. Honigberg
Commissioner

Attested by:



Debra A. Howland
Executive Director