

STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
LINE EXTENSION POLICY

TESTIMONY OF RHONDA J. BISSON

Docket No. DE 08- ____

1 INTRODUCTION AND QUALIFICATIONS

2 Q. Please state your name, business address and title.

3 A. My name is Rhonda J. Bisson, and my business address is 780 North Commercial Street,
4 Manchester, New Hampshire. I am a Senior Analyst in the Rate and Regulatory Services
5 Department for Public Service Company of New Hampshire (PSNH).

6 Q. Please describe your educational background and qualifications.

7 A. My educational background and qualifications are contained in Attachment RJB-1.

8 Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to describe and summarize a new proposed line extension
10 policy for developers and customers receiving delivery service under a residential rate
11 (Rate R or Rate R-OTOD) or a small business rate (Rate G or Rate G-OTOD).

12 BACKGROUND

13 Q. What led to PSNH proposing a new line extension policy at this time?

14 A. In the Settlement Agreement in PSNH's last Delivery Service rate proceeding in Docket
15 No. DE 06-028, the Parties and the Commission's Staff agreed to review the cost of
16 initiating service to new customer locations as compared to the distribution revenue
17 received from these customers, with the purpose of developing a line extension policy to
18 better align the costs and revenues related to new customer locations. A report
19 summarizing the results of this review was filed with the Commission on November 1,
20 2007 on behalf of the Office of Consumer Advocate, the Commission's Staff and PSNH.
21 In this report, PSNH indicated it would make a filing with the Commission in 2008
22 seeking approval of a new line extension policy as summarized in the November 1, 2007
23 report to the Commission.

1 Q. How long has PSNH's current line extension policy been in place?
2 A. PSNH's current line extension policy has been in place for 29 years or since July 31,
3 1979. The only changes that have occurred in the line extension policy are updates to the
4 single-phase average cost per foot per month figure and to the three-phase credit per
5 customer figure to reflect increases in costs over time.

6 Q. What key principles were utilized by PSNH when developing the proposed line extension
7 policy?

8 A. PSNH utilized three key principals when developing the proposed line extension policy:
9 (1) to better align the cost of initiating electric service to new customer locations with the
10 distribution revenue received from these customers, in order to minimize the
11 subsidization occurring between existing customers and new customers and developers;
12 (2) to reduce the amount of time PSNH devotes to estimating, administering and
13 monitoring line extensions and training new personnel so that PSNH can redirect
14 resources to respond to other customer needs and requests; and (3) to improve customer
15 satisfaction by implementing a more simplified, stream-lined policy that is easier for
16 customers to understand and results in improved response times when providing line
17 extension estimates.

18 PSNH'S CURRENT LINE EXTENSION POLICY

19 Q. Please describe PSNH's current policy for initiating electric service to new customer
20 locations?
21 A. PSNH's current policy for initiating electric service to new customer locations is divided
22 into two categories: (1) customers receiving delivery service under a large business rate
23 (Rate GV or Rate LG); and (2) developers and customers receiving delivery service
24 under a residential (Rate R or Rate R-OTOD) or small business rate (Rate G).

25 Policy for Large Business Customers

26 Each request for service from a large business customer that requires PSNH to extend or
27 upgrade its facilities in order to deliver power to the customer's premises is analyzed
28 individually to determine if an up-front contribution toward the cost of the line extension
29 or upgrade and/or a distribution revenue guarantee are required from the customer.

1 PSNH compares the net present value of the expected distribution revenue PSNH will
2 receive over a five-year period to the cost of the extension or upgrade. Generally, if the
3 cost exceeds the distribution revenue, then an up-front contribution of the difference
4 between the cost and revenue is requested and an annual revenue guarantee for a five-
5 year period is required. If the revenue exceeds the cost, then an up-front contribution is
6 not required. Although in this instance an up-front contribution is not required, an annual
7 revenue guarantee may be required if the cost of the extension or upgrade is significant
8 and there is uncertainty regarding the customer's expected usage. Since each request is
9 analyzed individually, PSNH is assured that the costs associated with initiating service to
10 large business customers are recovered by the distribution revenue received from these
11 customers over a five-year period and by any up-front contributions collected from these
12 customers. The goal is that no subsidization occurs between existing customers and new
13 large business customers.

14 Policy for Developers and Residential and Small Business Customers

15 Because of the number of requests received from developers and residential and small
16 business customers that require PSNH to extend or upgrade its facilities, PSNH does not
17 have the resources to analyze each individual request to determine if an up-front
18 contribution and/or a revenue guarantee is required from the customer. Rather, a
19 standard line extension policy is utilized to handle these customer requests.

20 Under the current standard line extension policy, each customer is provided with a
21 dedicated pole-mounted transformer, if necessary, an overhead service drop (maximum
22 distance of 125 feet) and 300 feet of overhead distribution facilities at no charge. Any
23 installation requiring underground service and/or more than 300 feet of distribution
24 facilities is subject to the charges summarized in the table on the following page:

Current Standard Line Extension Policy (for Developers and Residential and Small Business Customers)		
Type of Construction	Line Extension Along a Public Highway (Class I – Class VI highways)	Line Extension on Private Property
Overhead, Single-Phase	14 cents per foot per month for 60 months for the length of the line extension greater than 300 feet.	Up-front payment of the estimated installed cost for the length of the line extension greater than 300 feet.
Overhead, Three-Phase	The overhead, single-phase monthly surcharge, as defined above, plus 2% of the cost of the two additional phases less a credit of \$525 for 60 months.	Up-front payment of the estimated installed cost for the length of the line extension greater than 300 feet.
Underground*, Single-Phase	The overhead, single-phase monthly surcharge, as defined above, plus an up-front payment for the excess cost of underground facilities.	Up-front payment of the estimated installed cost for the length of the line extension greater than 300 feet plus the excess cost of underground facilities for 300 feet.
Underground*, Three-Phase	The overhead single-phase monthly surcharge plus the overhead three-phase monthly surcharge plus an up-front payment for the excess cost of underground facilities.	Up-front payment of the estimated installed cost for the length of the line extension greater than 300 feet plus the excess cost of underground facilities for 300 feet.
Developments	Developments are handled as line extensions along a public highway, except that the responsibility for the terms of the line extension agreement remains with the developer. A developer's overhead single-phase monthly surcharge is reduced by providing the developer a 300 foot allowance each time a single-phase permanent meter is set within the development. A developer's overhead three-phase monthly surcharge is reduced by providing the developer with a \$525 credit each time a three-phase permanent meter for a Rate G-sized customer is set within the development.	

- 1 * Customers provide all trenching, backfilling, manholes, duct bank, conduit, pedestals and
- 2 transformer slabs.

1 Each customer or developer who requires a line extension must sign a line extension
2 agreement. Separate line extension agreements exist for each type of construction
3 method (single-phase or three-phase) and for each type of location (i.e., whether the line
4 extension is along a public highway or on private property).

5 In addition to determining the cost of a line extension using the appropriate method
6 described on page 4 and ensuring the appropriate line extension agreement(s) are
7 executed by the customer, PSNH must monitor each request for a new service to
8 determine if it will be served from an “active” line extension. A line extension is
9 considered “active” for a five-year period following the completion of construction. If a
10 new customer requests service from an “active” line extension that was built along a
11 public highway, the original line extension cost is reallocated between the original
12 customer and the new customers each time a new customer requests service. If a new
13 customer requests service from an “active” line extension that was built on private
14 property, the new customer pays a lump sum payment to PSNH toward their proportional
15 share of the original cost of the line extension which is then refunded to the original
16 customer. PSNH is currently monitoring approximately 524 active line extensions along
17 public highways for new service requests.

18 Q. Please describe how PSNH tracks and monitors each active line extension for new
19 service requests?

20 A. PSNH manually tracks and monitors each active line extension for new service requests.
21 Specifically, each of PSNH’s area work centers maintain files containing all line
22 extensions completed within a geographic area during the most recent sixty month
23 period. Each line extension is typically filed by the name of the requesting customer, the
24 name of the developer or development, the name of the street the line extension is built
25 along or the name of the cross road from which the line extension begins. When visiting
26 a new service site, PSNH’s Field Technicians attempt to recall if the existing distribution
27 facilities were built within the past sixty months and, if so, will check the file of active
28 line extensions to determine if the new service is to be taken from an active line extension
29 by comparing street names or development names, if available. If a match is found, for
30 public-way line extensions, PSNH reduces the monthly line extension surcharges for the
31 existing customer and informs the new customer that they will be subject to line

1 extension charges for the existing line for the remainder of the original sixty month term,
2 in addition to any charges for the line extension they are requesting. For private property
3 line extensions, PSNH requests payment from the new customer and reimburses the
4 existing customer before service is initiated to the new customer. The process of tracking
5 and monitoring line extensions is manual, because PSNH's billing system does not
6 currently have the capability of tracking potential customer locations between two points
7 on PSNH's distribution system during a specific sixty month period.

8 It is no doubt apparent from the above description that the administrative effort to
9 monitor and track line extension payments under the existing policy is significant.

10 Q. Does PSNH identify all new services connecting to active line extensions before the new
11 services are connected?

12 A. No. PSNH does not identify all new services connecting to active line extensions before
13 the new services are connected. Many times the developer or customer will contact
14 PSNH and will indicate a new customer was recently connected to "their" line extension
15 and will request an adjustment to their line extension monthly surcharge. PSNH confirms
16 the new service is from an active line extension by visiting the customer site and
17 reviewing PSNH's billing and line extension records. Once confirmed, PSNH makes the
18 necessary line extension surcharge adjustments.

19 Q. Please describe why it is difficult to identify all new services connecting to active line
20 extensions before the new services are connected?

21 A. Because PSNH's billing system does not have the capability of tracking potential
22 customer locations between two points on PSNH's distribution system during a specific
23 sixty month period, PSNH relies on information, such as the name of the development,
24 the street name or the cross road name to match new services to active line extensions.
25 This information is not always available at the time the line extension is built or at the
26 time a customer calls to initiate service. For example, in the case of a new development,
27 a street name may not be available at the time a line extension is built, but is available
28 when new services are initiated. Therefore, the line extension may be in the developer's
29 name and the new services are in the street and customers' names. In addition, PSNH
30 must depend on the Field Technician to recognize that the line to be tapped was built
31 within the last sixty months and research the active line extension file. Many times the

1 original line construction project was managed by a different person or department and
2 the Field Technician may not be aware of exactly when the line was built. As a result,
3 PSNH does not identify all new services connecting to active line extensions before the
4 new services are connected.

5 PSNH'S PROPOSED LINE EXTENSION POLICY

6 Q. Is PSNH proposing any changes to its line extension policy for large business customers?

7 A. No. PSNH is not proposing any changes to its line extension policy for large business
8 customers. Each request will continue to be analyzed individually to determine if an up-
9 front contribution toward the cost of the line extension and/or a revenue guarantee are
10 required.

11 Q. Please provide an overview of PSNH's proposed line extension policy for developers and
12 residential and small business customers.

13 A. Under the proposed line extension policy, each customer will be provided with a
14 dedicated pole-mounted transformer if necessary and an overhead service drop at no
15 charge. An overhead service drop is the final span of cable providing secondary voltage
16 to a customer's meter or point of attachment location from a utility pole. If a customer
17 requests an underground service drop, the customer will be responsible to pay the excess
18 cost of the underground service drop, if applicable. The excess cost is the amount by
19 which the cost of providing the underground service drop exceeds the cost of providing
20 an overhead service drop. An underground service drop is the final run of cable
21 providing secondary voltage to a customer's meter from a transformer or from a
22 secondary conductor located on PSNH's distribution system. In the event the final run of
23 cable is greater than 125 feet, then the length of the underground service drop is deemed
24 to be 125 feet when determining the amount to be charged to the customer for the line
25 extension. Any installation beyond a pole-mounted transformer and an overhead or
26 underground service drop as defined above will be subject to the charges summarized in
27 the following table.

Proposed Line Extension Policy (for Developers and Residential and Small Business Customers)	
Type of Construction	Policy
Overhead Adding Additional Phases	Up front payment based on the job-specific estimated costs. Each customer request will be estimated individually based on current costs and the job-specific requirements.
Overhead Single-Phase	Up front payment based on the estimated installed cost of the distribution facilities (calculated by multiplying the length of the distribution facilities by the average cost per foot* of overhead single-phase distribution facilities). The length of the distribution facilities will be based on the length of single-phase primary and secondary line to be installed, excluding the length of secondary line to be installed for each overhead service drop.
Overhead Three-Phase	Up front payment based on the estimated installed cost of the distribution facilities (calculated by multiplying the length of the distribution facilities by the average cost per foot* of overhead three-phase distribution facilities). The length of the distribution facilities will be based on the length of three-phase primary and secondary line to be installed, excluding the length of secondary line to be installed for each overhead service drop.
Underground Single-Phase**	Up front payment based on 1) the estimated installed cost of the distribution facilities (calculated by multiplying the length of the distribution facilities by the average cost per foot* of underground single-phase distribution facilities); plus 2) the excess cost of any padmount transformers to be installed. The length of the distribution facilities will be based on the length of single-phase primary and secondary line to be installed, excluding the length of secondary line to be installed for each underground service drop.
Underground Three-Phase**	Up front payment based on 1) the estimated installed cost of the distribution facilities (calculated by multiplying the length of the distribution facilities by the average cost per foot* of underground three-phase distribution facilities); plus 2) the excess cost of any padmount transformers to be installed. The length of the distribution facilities will be based on the length of three-phase primary and secondary line to be installed, excluding the length of secondary line to be installed for each underground service drop.
Developments	Will be handled consistent with the policies described above based on the type of construction requested.

1 * The average cost per foot figures for overhead single-phase, overhead three-phase, underground
2 single-phase and underground three-phase construction will be updated annually based upon a
3 sampling of actual line extensions completed in the preceding calendar year.

4 ** Customers are responsible for providing all trenching, backfilling, manholes, duct bank,
5 conduit, pedestals and transformer slabs.

1 Under the proposed line extension policy, payments will be required up front before
2 construction begins for all line extensions and there will be no reallocation of costs
3 between the original customer requesting a line extension and any new customers that
4 receive service from the line extension; therefore, line extension agreements outlining
5 payment and reallocation terms will not be required. PSNH will simply provide each
6 customer requesting a line extension with a pre-payment letter describing the project and
7 the project cost. When a payment is received from the customer, PSNH will then
8 schedule the project to be completed.

9 Q. Please summarize the major changes PSNH is proposing to make to its current line
10 extension policy for developers and residential and small business customers and the
11 reasons for the changes.

12 A. PSNH is proposing five major changes to its line extension policy for developers and
13 residential and small business customers, which are summarized below:

14 (1) Elimination of the 300 foot overhead distribution facility allowance. PSNH will no
15 longer provide 300 feet of overhead distribution facilities in addition to an overhead
16 service drop and a pole-mounted transformer at no charge. Based on the results of a
17 recently completed study, PSNH has determined that the cost of providing service to
18 new customer locations under its current line extension policy greatly exceeds the
19 distribution revenue PSNH will receive from the new customer locations.

20 Eliminating the 300 foot allowance better aligns the cost of providing service with
21 the revenue received; thereby reducing the subsidization that is currently occurring
22 between existing customers and new customers and developers. The results of this
23 study are described in greater detail in this Testimony in the section entitled
24 “Comparison of Revenues and Costs Under the Current and Proposed Policies”.

25 (2) Elimination of separate policies for public highway and private property line
26 extensions. PSNH’s proposed policy will be based solely on the type of service
27 (single-phase or three-phase) and the type of construction (overhead or underground)
28 requested by its customers. The costs associated with constructing distribution
29 facilities are the same whether the facilities are built along a public highway or on
30 private property; therefore, it is unnecessary to have different policies based on where
31 the distribution facilities are located. Customers shall remain responsible for
32 providing all necessary permits and easements to place facilities over private property
33 that are satisfactory to the Company and at no cost to the Company.

1 (3) Use of one main method to calculate the cost of line extensions. Rather than using
2 multiple methods to calculate the cost of line extensions (average cost per foot,
3 average cost formulas to calculate the excess cost of underground service and
4 estimates from PSNH's work management system), one main method will be utilized
5 to calculate the cost of line extensions. Average cost per foot figures will be
6 calculated for the following types of line extensions: overhead single-phase,
7 overhead three-phase, underground single-phase and underground three-phase. Line
8 extension costs will be calculated by simply multiplying the appropriate average cost
9 per foot figure by the length of the line extension. The average cost per foot figures
10 will be updated annually based upon a sampling of actual line extensions completed
11 in the previous calendar year. Using one simple method to calculate line extension
12 costs will help to ensure consistency in the calculation of line extension estimates
13 across PSNH's service territory and may allow PSNH's Construction Services
14 Support Center to handle many initial line extension customer inquiries based solely
15 on footage figures provided by the customer. This step may eliminate some on-site
16 visits by PSNH's Field Technicians to customer locations. In addition, PSNH
17 believes using one simple method will result in improved communication between
18 PSNH and its customers. A simpler method is easier for both PSNH's employees to
19 explain and for PSNH's customers to understand. PSNH believes improved
20 communication will help to improve PSNH's customer service.

21 (4) Up-front payments for all line extensions. Rather than requiring up-front payments
22 for private property line extensions and monthly payments over sixty months for
23 public way line extensions, up-front payments will be required for all line extensions.
24 The cost of line extensions can be incorporated into a customer's mortgage or a
25 developer's financing. By moving the financing of line extensions from PSNH to the
26 financial sector, PSNH believes its customers will have a wider variety of financial
27 options available to them and those options will more likely meet the specific needs
28 of each customer's situation. In addition, it will eliminate the need for PSNH to enter
29 into agreements with each customer outlining the line extension payment terms
30 which will help to reduce the amount of time PSNH spends administering line
31 extensions.

32 (5) No reallocation of line extension costs between customers. PSNH currently acts as
33 an intermediary between abutting property owners, requesting payment from one
34 property owner and reallocating it to all property owners that have previously
35 attached to a line extension during the initial five-year period. In situations where

1 electric service is not currently available, abutting property owners can negotiate
2 amongst themselves on how to best allocate the cost of a line extension prior to the
3 line extension being built. Although it is possible one or more abutting property
4 owners will decide not to participate in the negotiation and will not pay for a portion
5 of the line extension, this situation occurs today under the current policy. Some
6 property owners will wait until the five-year line extension period is complete and
7 there is no longer a requirement to pay for a portion of the original line extension cost
8 prior to requesting electric service to their property. Eliminating the need to monitor
9 each line extension for a five-year period and reallocate line extension costs each
10 time a new service is connected during a five-year period will reduce the amount of
11 time PSNH spends administering and monitoring line extensions and will result in a
12 more efficient use of PSNH's resources.

13 Q. What does PSNH propose to do with the existing 524 active line extension agreements?

14 A. PSNH will continue to monitor the existing active line extension agreements and will
15 continue to make adjustments as described above in the section entitled "PSNH's Current
16 Line Extension Policy" whenever a new service is requested along a line that is still
17 subject to the remainder of the five year term.

18 Q. Has PSNH calculated average cost per foot figures for each construction type?

19 A. Yes. PSNH has calculated average cost per foot figures for each construction type. The
20 figures are summarized in the table below:

<u>Construction Type</u>	<u>Average Cost per Foot</u>
22 Overhead, single-phase	\$13.09
23 Overhead, three-phase	\$35.52
24 Underground, single-phase	\$12.93
25 Underground, three-phase	\$36.54

26 Q. Please describe how PSNH calculated the average cost per foot figures for each
27 construction type.

28 A. To calculate the average cost per foot figures for each construction type, PSNH first
29 identified all the line extensions completed for individual customers or developers during
30 the period January 2008 through August 2008 and removed the line extensions utilizing
31 more than one type of construction (i.e. using both overhead and underground
32 construction or using both single-phase and three-phase construction). These line

1 extensions were removed, because PSNH does not separately track actual costs for
2 individual line extensions by construction type. For example, in the case of a line
3 extension utilizing both overhead and underground construction, labor costs are not
4 tracked for the overhead portion separately from the underground portion. Therefore,
5 average cost per foot figures cannot be calculated by construction type for line extensions
6 utilizing more than one type of construction. Next, PSNH separated the line extensions
7 into the following four categories: overhead single-phase, overhead three-phase,
8 underground single-phase and underground three-phase. For the overhead single-phase,
9 underground single-phase and underground three-phase categories, the total cost and the
10 total length of primary and secondary line installed was calculated. The average cost per
11 foot figures for each of these categories was then calculated by dividing the total cost by
12 the total length of primary and secondary line installed. Because PSNH did not construct
13 any new overhead three-phase line extensions during the period January 2008 through
14 August 2008, for the overhead three-phase category PSNH developed the average cost
15 per foot figure by estimating the cost of four sample overhead three-phase line extensions
16 utilizing its work management system. The calculation of the average cost per foot
17 figures for each construction type is shown in Attachment RJB-2.

18 Q. What costs were included in the calculation of the average cost per foot figures?

19 A. All costs associated with the construction of the line extensions were incorporated in the
20 calculation of the average cost per foot figures, including labor (construction,
21 engineering, administrative, etc.), materials (excluding transformers), outside services
22 (traffic control, tree trimming, blasting, etc.), vehicles, easements and overheads.

23 Q. Is PSNH planning to incorporate the average cost per foot figures in the line extension
24 section of PSNH's Delivery Service Tariff?

25 A. No. PSNH is not planning to incorporate the average cost per foot figures for each
26 construction type in the line extension section of PSNH's Delivery Service Tariff.
27 Attachment RJB-3 contains PSNH's proposed line extension tariff language. PSNH
28 plans to file an informational report annually with the Commission summarizing the
29 actual average cost per foot figures by construction type based upon a sampling of line
30 extensions completed in the previous calendar year. This informational report will be
31 filed by March 1st of each year, with the new average cost per foot figures taking effect
32 on April 1st of each year.

1 Q. How long is PSNH proposing to utilize the average cost per foot figures summarized in
2 the table above to calculate line extension costs?

3 A. PSNH is proposing to utilize the average cost per foot figures summarized in the table
4 above from the effective date approved by the Commission (which PSNH expects will be
5 in the first quarter of 2009) through March 31, 2010. PSNH will file a report
6 summarizing the actual average cost per foot figures by construction type based upon a
7 sampling of line extensions completed in 2009 by March 1, 2010 with the new average
8 cost per foot figures taking effect on April 1, 2010.

9 ILLUSTRATIVE EXAMPLES UNDER THE CURRENT AND PROPOSED POLICIES

10 Q. Has PSNH included any illustrative examples comparing the line extension cost
11 calculations under the current and proposed line extension policies?

12 A. Yes. Attachment RJB-4 contains the following illustrative examples comparing the cost
13 calculations under the current and proposed line extension policies:

- 14 (1) Overhead, three-phase, 400 foot line extension built along a public highway;
- 15 (2) Overhead, three-phase, 400 foot line extension built on private property;
- 16 (3) Overhead, three-phase, 800 foot line extension built 400 feet along a public
17 highway and 400 feet on private property;
- 18 (4) Underground, single-phase, 400 foot line extension built on private property;
- 19 and
- 20 (5) Underground, single-phase line extension built along a public highway (new
21 residential development).

22 As shown, the calculations are much simpler and straight-forward under the
23 proposed line extension policy than under the current line extension policy.

24 Q. Please provide line extension cost calculations for overhead, single-phase line extensions
25 built along a public highway using various line extension lengths under the current line
26 extension policy and under the proposed line extension policy.

27 A. Attachment RJB-5 contains three illustrative examples of cost calculations for overhead,
28 single-phase line extensions built along a public highway using various line extension
29 lengths under the current and proposed line extension policies. As shown, a customer
30 requiring a service drop, a pole-mounted transformer and 200 feet of overhead primary
31 distribution facilities would not be charged under the current line extension policy and

1 would be charged \$2,618 (200 feet x \$13.09 per foot) under the proposed line extension
2 policy. A customer requiring a service drop, a pole-mounted transformer and 600 feet of
3 primary overhead distribution facilities would be charged \$2,520 under the current line
4 extension policy and would be charged \$7,854 under the proposed line extension policy.
5 Under the proposed policy, the removal of the 300 foot allowance results in a customer
6 paying at most \$3,927 (300 feet x \$13.09 per foot) more for an overhead, single-phase
7 line extension along a public highway. This increase is needed to more accurately align
8 the costs of providing service to new customer locations with the revenue received from
9 those customers and reduce the subsidization currently occurring between existing
10 customers and new customers and developers.

11 Q. Based on the illustration discussed above, PSNH's line extension revenue will increase
12 because customers and developers requesting line extensions will no longer receive 300
13 feet of distribution facilities per customer at no charge. What impact will this have on
14 PSNH's distribution rates?

15 A. The additional line extension revenue PSNH will receive under the proposed line
16 extension policy will reduce the costs included in the calculation of PSNH's distribution
17 rates and recovered by all of PSNH's customers. During PSNH's next distribution rate
18 proceeding before the Commission, lower costs will result in distribution rates that are
19 lower than they otherwise would have been with no change in policy.

20 Q. Please provide an illustration that shows how PSNH's proposed line extension policy will
21 reduce the amount of time PSNH devotes to estimating, administering and monitoring
22 line extensions.

23 A. Attachment RJB-6 contains two process flow charts. The first process flow chart entitled
24 "PSNH's Current Line Extension Process for Residential and Small Business Customers"
25 summarizes the steps involved in processing a line extension using PSNH's current line
26 extension policy. The second process flow chart entitled "PSNH's Proposed Line
27 Extension Process for Residential and Small Business Customers" summarizes the steps
28 involved in processing a line extension using PSNH's proposed line extension policy. A
29 comparison of the two process flow charts shows that the number of tasks needed to
30 complete each line extension has been significantly reduced; from 62 separate tasks or
31 decision points in the current line extension policy to 16 separate tasks or decision points
32 in the proposed line extension policy.

1 COMPARISON OF REVENUES AND COSTS UNDER THE CURRENT AND PROPOSED
2 POLICIES

3 Q. PSNH indicated one of the key principals utilized by PSNH to develop the proposed line
4 extension policy is to ensure the proposed policy better aligns the cost of initiating
5 electric service to new customer locations with the distribution revenue received from
6 these customers, so as to minimize the subsidization occurring between existing
7 customers and new customers and developers. Please describe how the proposed line
8 extension policy will better align the net¹ cost of initiating service to new customer
9 locations with the distribution revenue received from these customers.

10 A. Please refer to Attachment RJB-7 which contains the results of a study recently
11 completed by PSNH comparing the net cost of initiating service to new customer
12 locations with the distribution revenue PSNH expects to receive. Table I summarizes the
13 difference between the net present value of the expected distribution revenue PSNH will
14 receive over a five-year period and the maximum net cost of providing service under the
15 current line extension policy and under the proposed line extension policy by delivery
16 service rate (whether Residential or General Service Single-Phase or General Service
17 Three-Phase) and by the size of the customer's main electrical panel (whether 200 amps
18 or 400 amps). Table II summarizes the calculation of distribution revenue by rate
19 category and main electrical panel size. The distribution revenue is based on the average
20 kilowatt-hour use and average maximum kilowatt demand of the customers within each
21 category as of September 19, 2007 and PSNH's distribution rates effective July 1, 2008.
22 Table III summarizes the calculation of the maximum net cost of initiating service by rate
23 category and main electrical panel size under the current and proposed policies. The net
24 cost of providing service under the current policy includes the cost of a service drop
25 (wire, connectors, labor and overheads), the installed cost of a pole-mounted transformer
26 and 300 feet of overhead distribution facilities; while the net cost of providing service
27 under the proposed policy includes the cost of a service drop (wire, connectors, labor and
28 overheads) and the installed cost of a pole-mounted transformer.

¹ Net cost is the difference between the total cost of installing the distribution facilities and the payment provided by the customer.

1 As shown in Table I, under the current line extension policy, other than the two small
2 categories of 400 amp service for general service single-phase and three-phase which
3 represents approximately 8,000 customers, the net cost of providing service far outweighs
4 the present value of the expected distribution revenue PSNH will receive over a five-year
5 period. This means existing customers are subsidizing the net cost of providing service
6 to new residential developments, new individual residential locations and new small
7 business customer locations taking service under PSNH's General Delivery Service
8 Rate G. Moreover, PSNH's distribution rates are designed to recover all of PSNH's
9 distribution costs, including but not limited to distribution system upgrades, restoration
10 costs, PSNH's customer call center and the cost of initiating service to new customer
11 locations. Since only a portion of PSNH's distribution rates recover the net cost of
12 providing service to new customer locations, the difference between revenues and net
13 costs should be positive in all categories.

14 As shown in Table I, under the proposed line extension policy, while the present value of
15 the expected distribution revenue PSNH will receive over a five-year period is less than
16 the net cost of initiating service in three of the six categories, the difference has been
17 significantly reduced (from (\$5,098) to (\$1,171) in the residential 200 amp category;
18 from (\$4,571) to (\$644) in the general service single-phase 200 amp category; and from
19 (\$4,796) to (\$344) in the general service three-phase 200 amp category). Based on these
20 results, the removal of the 300 foot overhead distribution facility allowance from the
21 proposed line extension policy better aligns the net cost of initiating service to new
22 customer locations with the revenue received from these customers and greatly reduces
23 the level of subsidization that is currently occurring between existing customers and new
24 customers and developers.

25 SUMMARY OF BENEFITS OF PROPOSED LINE EXTENSION POLICY

- 26 Q. Please describe the benefits PSNH believes the proposed line extension policy will bring
27 to PSNH and its customers.
- 28 A. PSNH believes the proposed line extension policy will provide the following benefits to
29 PSNH and its customers:

- 1 • Better Aligns Costs and Revenues. The proposed policy better aligns the cost of
2 initiating electric service to new customer locations with the distribution revenues
3 received from those customers. Adoption of the new policy will minimize the
4 subsidization currently occurring from existing customers to new customers and
5 developers. The resulting increase in revenues will reduce the costs included in the
6 calculation of PSNH's distribution rates and recovered by all customers.
- 7 • Keeps Costs and Revenues Better Aligned on an Ongoing Basis. Basing the cost of
8 line extensions on average cost per foot figures based on the previous year's actual
9 costs will help to keep costs and revenues better aligned on an ongoing basis.
- 10 • More Efficient Use of PSNH's Resources. The proposed line extension policy
11 greatly simplifies PSNH's line extension policy, thus reducing the amount of time
12 PSNH devotes to estimating, administering and monitoring line extensions. This
13 reduction will result in a more efficient use of PSNH's resources and will allow
14 PSNH to redirect resources to respond to other customer inquiries and requests. For
15 example, basing the cost of line extensions on the average cost per foot for each type
16 of construction by the length of the line extension will allow PSNH's Construction
17 Services Support Center to provide initial estimates to customers for the cost of line
18 extensions based on footage figures provided by the customer, which may eliminate
19 some on-site customer visits. Gradually, the administration and monitoring of the
20 outstanding line extension agreements will cease to exist.
- 21 • Greater Consistency of Line Extension Estimates. Calculating the cost of line
22 extensions based on one simple method (average cost per foot for each type of
23 construction) will result in more consistent line extension estimates across PSNH's
24 service area.
- 25 • Improved Customer Service. PSNH believes a simpler policy will result in improved
26 communication between PSNH and its customers. A simpler policy is easier for both
27 PSNH's employees to explain and for PSNH's customers to understand. In addition,
28 a simpler policy will result in improved response times when providing line
29 extension estimates. Improved communication between PSNH and its customers and
30 improved response times will help to improve PSNH's customer service.

1 Q. What is PSNH requesting in this filing?

2 A. PSNH is seeking Commission approval of the proposed line extension policy and
3 proposed Tariff language by January 2, 2009 with an effective date of March 1, 2009.
4 This will provide PSNH with approximately 8 weeks to complete the training of
5 customer operations and customer service personnel on the new line extension policy,
6 communicate the new line extension policy to contractors and electricians and update all
7 internal documents referencing PSNH's line extension policy. PSNH will also begin to
8 utilize the new line extension policy when providing estimates for line extensions that
9 will likely be built in 2009 so customers will receive accurate estimates for their planning
10 and budgeting needs.

11 Q. Does this complete your testimony?

12 A. Yes, it does.