

DE 98-138

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC./  
GRANITE STATE ELECTRIC COMPANY

Realignment of Distribution Franchise Boundaries

Order Approving Settlement Agreement

O R D E R    N O.    23,206

May 3, 1999

**APPEARANCES:** Dean, Rice and Kane by Robert E. Dunn, Esq. on behalf of the New Hampshire Electric Cooperative, Inc.; Carlos A. Gavilondo, Esq. on behalf of Granite State Electric Co., Inc., Gerald M. Eaton, Esq. on behalf of Public Service Company of New Hampshire, Inc.; and Eugene F. Sullivan III, Esq. for the Staff of the New Hampshire Public Utilities Commission.

**I.    PROCEDURAL HISTORY**

On January 28, 1998, Dr. Robert Cimis filed a complaint with the New Hampshire Public Utilities Commission (Commission) on behalf of himself and numerous neighbors concerning the quality of service provided in the Methodist Hill area of the Town of Enfield, New Hampshire by the New Hampshire Electric Cooperative, Inc. (NHEC). Dr. Cimis complained that he and his neighbors experienced numerous electric outages while nearby customers of Granite State Electric (Granite State) did not experience these outages. Dr. Cimis requested that he and his neighbors be allowed to receive service from Granite State thereby allowing them to receive the same quality of service provided nearby commercial customers of Granite State.

On October 27, 1998, the Commission issued an Order of Notice initiating an investigation into the adequacy of service provided in the Methodist Hill area of Enfield, and whether a transfer of the territory from NHEC to Granite State was in the public interest. The Order of Notice made NHEC, Granite State and Public Service Company of New Hampshire (PSNH) mandatory parties and scheduled a prehearing conference for November 19, 1998. NHEC, Granite State, PSNH, Dr. Cimis and a number of residents of Methodist Hill and Staff appeared at the prehearing conference.

At the prehearing conference, NHEC, Granite State and PSNH presented an agreement that would resolve the issue of the adequacy of service provided to the residential customers in the Methodist Hill area. The agreement provided that Granite State would continue to serve all existing and new "three phase" customers in the Methodist Hill area while NHEC would continue to serve all existing and new residential customers in the same service area. NHEC would no longer provide service from the distribution line currently providing service, however, which is the cause of the numerous service outages. Rather, NHEC and Granite State would establish a new delivery point in the Methodist Hill area where NHEC would take power from PSNH which would be transmitted to and through Granite State's distribution system to the new delivery point.

In a public statement given at the prehearing

conference, Dr. Cimis and other residents of the Methodist Hill area expressed general dissatisfaction with the quality of service they were receiving which consisted of numerous outages while they could see the lights of nearby commercial establishments served by Granite State. The customers also objected to the rate discrimination that would result from the proposed agreement. That is, the customers did not believe it was appropriate that residential customers should pay NHEC rates while commercial customers received substantially lower charges from Granite State.

Staff also objected to the proposed settlement because it would create unnecessarily redundant distribution systems in the Methodist Hill area and is inconsistent with the plan of distribution system reorganization set forth by NHEC and Granite State in DE 95-290 that resulted in Granite State providing three phase service in the Methodist Hill area. See, Re New Hampshire Electric Cooperative, Inc. 80 NH PUC 732 (1995).

Following the prehearing conference the parties and Staff engaged in discovery and settlement negotiations. The negotiations resulted in a settlement agreement whereby the service territories of NHEC, PSNH and Granite State would be redrawn to allow Granite State to provide all service to the Methodist Hill area, and PSNH's service territory would be adjusted to serve one customer that lies between NHEC's last pocket of customers and the Methodist Hill area. The settlement

further provided that Granite State would pay NHEC \$116,000 for NHEC's facilities in the Methodist Hill area and that that sum was the reasonable value of NHEC's assets in the area. NHEC was paid the sum of \$1.00 for the service area assumed by PSNH.

## II. COMMISSION ANALYSIS

The issues for our consideration are whether the proposed modification to the distribution franchise boundaries set forth in the settlement agreement is for the public good, RSA 374:22, 374:26, and whether the value assigned to the assets transferred to Granite State from NHEC is just and reasonable. RSA 374:30.

Pursuant to the public good standard, the Commission must determine that the transfer will not harm ratepayers or may in fact benefit customers. See, Parker-Young Co. v. State, 83 N.H. 551 (1929). Based on that standard we find that the provision of service to this limited area of the Town of Enfield by Granite State will benefit customers overall, and is, therefore, for the public good.

The testimony at the March 18, 1999, hearing revealed that NHEC's lines serving the Methodist Hill area run approximately thirty miles from the nearest NHEC substation through rugged and mountainous terrain and that the line serves few customers before reaching Methodist Hill. The testimony also

revealed that the terrain traversed by the line resulted in frequent outages to NHEC customers, despite NHEC efforts to improve the quality of service. Nearby customers of Granite State did not experience such outages, however, because service was rendered only seven miles from the nearest substation through three phase facilities. Given the proximity and quality of its facilities in the area, Granite State is the sensible choice for service.

Thus, the provision of service by Granite State to the Methodist Hill area is the prudent alternative given the testimony presented to the Commission because it allows for the logical and orderly development of distribution systems in the State. Moreover, we find the proposed settlement agreement consistent with the Commission's decision in Re New Hampshire Electric Cooperative, Inc. 80 NH PUC 732 (1995).

Based on the testimony we also find the price paid to NHEC by Granite State and PSNH just and reasonable for ratemaking purposes.

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

**ORDERED,** the Settlement Agreement is just, reasonable and for the public good and it is, therefore, APPROVED.

By order of the Public Utilities Commission of New Hampshire this third day of May, 1999.

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Douglas L. Patch  
Chairman

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary