

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

IR 13-336

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

Review of Line Extension Policy

Order Following Public Comment Hearing

ORDER NO. 25,637

March 17, 2014

APPEARANCES: Appearances: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire; the Office of Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On March 2, 2013, Public Service Company of New Hampshire (PSNH or Company) filed a report on its line extension policy and proposed tariff pages. The filing was made pursuant to a Settlement Agreement approved by the Commission in Order No. 25,046 (November 20, 2009). Pursuant to the proposed tariff, the cost per foot of single-phase overhead line extensions would increase from \$11.40 to \$20.71, and for single-phase underground line extensions, the cost per foot would increase from \$14.71 to \$15.48.

The Commission issued Order No. 25,481 (March 28, 2013) suspending the tariff for three months to allow further investigation by Staff, and by consent, PSNH later allowed the investigation to continue an additional five months (through November 28, 2013) whereupon the suspension of the tariff terminated and the tariff took effect pursuant to RSA 378:6.

Staff filed a memorandum on November 22, 2013 advising the Commission that the proposed tariff rate was calculated in manner consistent with the terms of the Settlement

Agreement. Staff further noted that pursuant to RSA 370:12¹, a utility customer who requires a line extension on private property may hire a qualified contractor approved by the local distribution utility. Staff recommended that PSNH update its tariff to clearly inform customers of this option. In addition, Staff recommended that PSNH consider implementing per-foot costs for line extensions with and without the tree trimming component.

The Commission subsequently opened the instant docket and scheduled a public comment hearing on PSNH's line extension policy on January 7, 2014. The hearing was held as scheduled. PSNH, the Office of Consumer Advocate (OCA) and Staff attended the hearing.

II. POSITIONS OF THE PARTIES AND STAFF

A. Public Service Company of New Hampshire

PSNH explained that the Settlement Agreement dealing with PSNH's line extension policy grew out of PSNH's 2006 rate case. At the time when the Commission was considering PSNH's 2006 rate case, PSNH had a line extension policy that provided the first 300 feet of a line extension at no cost to residential and small commercial customers. The cost of the extension in excess of 300 feet was distributed over the next five years of electric bills for the customer. If during those five years another customer sought to obtain service through that line extension, the cost of the original extension would be reallocated among the first customer and any subsequent customers who took service from the line, until the end of the five-year period. PSNH said that this prior practice was administratively burdensome because it would have to separately monitor each line extension. At the time of PSNH's testimony in the line extension docket, PSNH monitored 524 active line extensions pursuant to its prior policy.

According to PSNH, the proposal made in the line extension docket resulted in a more straightforward line extension policy. Under the new line extension policy, which was approved

¹ RSA 370:12 was effective August 17, 2012.

pursuant to a Settlement Agreement among the Company, Staff, the OCA and the Home Builders and Remodelers Association of New Hampshire, customers would be charged based on a cost per foot, and the cost would be paid up front instead of over the five years after the extension was built. In addition, the new tariff dispensed with the practice of requiring customers who subsequently took service from the line extension to pay a portion of the costs of the line extension. Pursuant to the Settlement Agreement, the actual per-foot costs would be phased in over three years, from 2011 through March 2013. The Settlement Agreement also provided that, effective April 1, 2013 the average actual costs on a per-foot basis would apply to all line extensions. For single-phase overhead extensions, PSNH calculated the cost to be \$20.71 per foot and originally asked for the rate to be effective April 1, 2013. Following an extension of the time for the review of the actual line extension costs, the tariff that implemented the new costs and policy was effective November 28, 2013.

Overall, PSNH characterized the new line extension policy as straightforward and clear for customers, and simpler in that it avoided the administrative burden of tracking line extensions over time to determine whether costs should be allocated among several customers.

B. Office of Consumer Advocate

The OCA stated that it has generally been supportive of measures that result in the cost-causers—in this case, the customers who request the line extension—bearing the full costs of the requested service. The OCA commented on Staff's suggestion that PSNH review the merits of including an average tree-trimming cost in the per-foot cost for line extensions, and said that the OCA would support further exploration of the treatment of tree-trimming costs.

C. Staff

Staff stated that it had conducted an in-depth review of the line extensions installed during the years 2010 through 2012 and their associated costs, and based on its review, the \$20.71 per-foot cost was appropriately calculated. Staff noted that PSNH calculated an average cost of \$3.13 for tree trimming associated with the installation of line-extensions and suggested that the Company consider whether it was appropriate to include a charge for tree-trimming for line extensions that did not require tree trimming. According to Staff, roughly 80 to 85 percent of the line extensions had tree trimming costs associated with them, and although the Settlement Agreement in the line extension docket anticipated that the Company would use average costs including tree trimming, it might be worth considering a separate charge to recover actual tree trimming costs from individual customers.

Staff added that, from anecdotal evidence, a number of contacts Staff has had with customers resulted from the elimination of the policy that previously provided for an allocation of the costs of a line extension between the initial customer and customers who take service from the same line extension within five-years of construction. Staff said this is a complicated issue that is worth further discussion.

Staff also provided information regarding other New Hampshire electric utilities' line extension policies. Staff indicated that Liberty Utilities (Granite State Electric Company) in its most recent distribution rate case proposes a cost on a per-foot basis and also has a five-year cost allocation procedure similar to PSNH's former policy; and that Unitil Energy Systems, Inc. likewise assesses line extension costs on a per-foot basis and provides for cost reallocation among customers.

III. COMMISSION ANALYSIS

The Commission understands that the genesis of PSNH's new line extension policy is the settlement agreement in PSNH's 2006 distribution rate case in which the line extension policy was determined to result in under-recovery of actual costs of extensions as well as subsidies by other customers. We recognize the validity of the current line extension policy; we note, however, that the new PSNH tariff eliminated prior cost-sharing provisions that more fairly allocated costs among the customers benefiting from the line extension.

Under the prior tariff, PSNH would extend a line to accommodate the need for service of a new customer. That customer would be allowed to pay the cost of the extension over a five-year period. Further, in the event that an additional customer later asked for service and was connected to the line extension installed for the first customer, PSNH's tariff required that the additional customer pay for a portion of those costs of installation. Thus, the additional customer was not a "free rider" of the service initiated by the first customer.

Under the new tariff, the costs of all line extensions must be paid up front by the customer extending the line and there is no requirement that an additional customer taking service from that line extension share any of the costs, even though the additional customer clearly benefits from the extension of the line. We are concerned that the additional customer becomes a "free rider" in that any such additional customer(s) benefits from the line extension paid for in its entirety by the first customer.

Though we approved the Settlement Agreement that resulted in this policy, upon further consideration, we find that the new policy can be viewed as unfairly placing the full costs of line extensions on the initiating customer while holding additional customers harmless from any costs for the exact same benefit—connection to electric service—paid for by the initiating

customer. We note that by order issued today we approve a proposal for a line extension policy proposed by Liberty Utilities. The Liberty line extension policy sets costs on a per-foot basis and makes it discretionary for additional customers to make payment arrangements with the initiating customer.² Unitil Energy Systems, Inc. also has a line extension policy that assesses costs on a per foot basis and includes a provision that costs will be apportioned to any additional applicants who request service from the line extension.

Given that each of these utilities falls under our jurisdiction, we find it advisable to explore consistency among franchise territories in terms of line extension policies. Therefore, we will close this investigation and open a generic docket, to which PSNH, Liberty Utilities and Unitil Energy Systems, Inc. will be mandatory parties, to fully review each utility's existing line extension policies and determine, among other things, whether and how line extension costs should best be allocated among all customers who benefit from such line extensions. We understand that potential changes to existing company policies may involve additional administrative efforts for the utilities in maintaining records and payment information regarding the initial line extension. As part of the proceeding, we are open to considering how the reasonable costs for any additional administrative work associated with potential changes to a utility's line extension policies should be recovered.

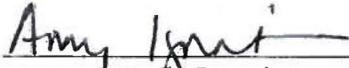
Based upon the foregoing, it is hereby

ORDERED, that the current investigation, IR 13-336, is hereby closed; and it is

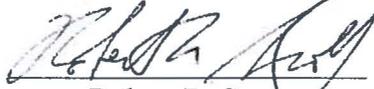
FURTHER ORDERED, that the Executive Director issue an order of notice commencing a generic proceeding regarding existing line extension policies to which PSNH, Liberty Utilities and Unitil Energy Systems, Inc. will be made mandatory parties.

² By Order No. 25,638, also issued today, we approved Liberty's line extension policy but noted that we may revisit the issue in the context of a generic utility proceeding.

By order of the Public Utilities Commission of New Hampshire this seventeenth day of
March, 2014.



Amy Ignatius
Chairman



Robert R. Scott
Commissioner



Martin P. Honigberg
Commissioner

Attested by:



Kimberly Nolin Smith
Assistant Secretary