

THE STATE OF NEW HAMPSHIRE

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Debra A. Howland



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

March 7, 2008



Debra A. Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 South Fruit St., Suite 10
Concord, NH 03301-2429

Re: DE 08-006, Public Service Company of New Hampshire – Loss of Service
Investigation Charges

Dear Ms. Howland:

On January 18, 2008, Public Service Company of New Hampshire (PSNH) filed proposed tariff pages to establish new charges to reimburse PSNH for expenses incurred in investigating, at a customer's request, certain occurrences of loss of service. According to PSNH, the charge would apply only when the results of the investigation show that the loss of electric service is attributable to the customer's – as opposed to PSNH's – equipment. In support of its filing, PSNH included proposed tariff pages along with a technical statement from Rhonda J. Bisson, Senior Analyst for PSNH. On February 15, 2008, the Commission issued Order No. 24,822 suspending the tariff pages pending Staff's completion of its review of the filing. This letter is to inform you that Staff has completed its investigation and recommends the Commission issue an order *nisi* approving the proposed tariff pages and charges.

In its filing, PSNH stated that since 1998 it has charged customers at a rate of \$80 for investigations performed during normal business hours and \$105 for investigations performed outside normal working hours. According to Ms. Bisson, in 2007 PSNH assembled a team to review PSNH's non-electric billing (i.e., billing for services performed outside of the delivery and sale of electric service), with the primary goal of ensuring "that all non-electric bills issued by PSNH's Customer Operations group are priced, prepared and issued in a correct and uniform manner."¹ During the course of its review, PSNH discovered that no references to these charges were contained in its Delivery Service tariff, its Requirements for Electric Service Connections booklet, or its regulatory files. Based on that review, PSNH concluded that it apparently had not previously requested Commission approval for the existing charges

¹ Technical statement of Rhonda J. Bisson, page 1.

but further stated that “[i]mplementation of the charges without approval did not unjustly enrich PSNH, because all of the revenue that PSNH collected through the charges was used to reduce its revenue requirements during rate cases.”²

PSNH performed an analysis of the costs of the loss of service investigations performed for its residential and small commercial customers during 2006 and, pursuant to that analysis, has proposed new charges of \$125 and \$250 for investigations within and outside normal business hours, respectively.³ In 2006, PSNH performed 354 loss of service investigations, with 161 occurring during normal work hours and 193 outside of normal work hours. In conducting its analysis, PSNH analyzed the hours spent by foremen and line workers performing each investigation. The costs of each investigation were calculated using the average hourly pay rates for foremen and line workers along with a fixed vehicle cost per hour. PSNH computed an average cost per investigation of \$198, with those occurring during work hours having an average cost of \$126 and those occurring outside of normal work hours having an average cost of \$258. The main reason for the disparity between the charges for investigations performed inside or outside of normal working hours is that PSNH’s employees are paid for a minimum of four hours (a “call-out premium”) if they are called to work after their normal work schedule has ended. According to PSNH, those average costs do not include overhead costs. PSNH stated that it excluded overhead costs from its analysis “because PSNH proposes setting the charges at levels that will induce a change in customer behavior (to contact an electrician to investigate a loss of electric service when it appears likely to be caused by the customer’s equipment), but not be set so high that a customer decides to go without power for an extended period of time when an outage is caused by PSNH’s equipment.”⁴

Staff has reviewed PSNH’s filing as well as additional information obtained during the discovery process. Regarding the current \$80 and \$105 charges for loss of service investigations, PSNH could not locate the analysis supporting the existing charges (that were implemented in 1998) but stated that the charges appeared to be based on a one hour investigation for a two-person crew, including vehicle and labor charges. Now, with its analysis of the 2006 loss of service investigations, PSNH has looked at the actual time spent on the investigations and determined that the applicable charges require increases to be more in line with the actual costs incurred. Although the proposed new charges of \$125 (normal working hours) and \$250 (outside of normal working hours) move in the direction of being closer to the actual costs, they are still significantly below the total actual costs if overhead costs are included. In response to a discovery request, PSNH stated that including the overhead costs would bring the total cost of loss of service investigations to \$303 and \$713 for those performed during normal work hours and outside normal work hours, respectively. Staff views the proposed \$125 and \$250 charges as reasonable levels that bridge the gap

² Ibid, page 2.

³ For comparison purposes, Staff inquired as to the number of loss of service investigations performed during the years 2000-2005 and 2007 along with the related costs. Information for 2000-2005 was not available as PSNH’s billing system purges bills that have been paid and have no activity after 18 months. During 2007, PSNH performed 133 loss of service investigations during normal business hours and 241 outside of normal business hours. PSNH has not performed an analysis of each of the 374 investigations conducted during 2007, so a cost comparison was not available.

⁴ Technical statement of Rhonda J. Bisson, page 3.

between the existing charges and charges at full cost levels (i.e., \$303 and \$713) that might otherwise deter residential and small commercial customers from reporting outages.

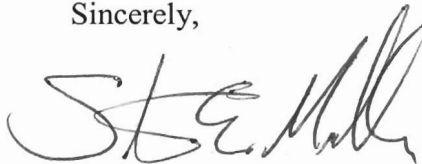
PSNH stated that based on the number of 2006 investigations, the additional revenue generated from the increased charges would be approximately \$35,000.⁵ Using 2007 information obtained during discovery, the additional revenue is approximately \$40,000. Review of PSNH's most recent quarterly Form F-1 for the quarter and year ended December 31, 2007 revealed that PSNH's distribution segment earned 8.70% for the twelve months then ended – a level below the 9.67% return on equity allowed in DE 06-028. In light of that and considering that \$40,000 represents an insignificant amount of revenue as compared to PSNH's overall distribution revenue requirement, in Staff's opinion no action need be taken to adjust PSNH's distribution rates or otherwise recognize an equivalent amount of revenue in any of PSNH's other rate components.

One final point is that although these charges are not currently in PSNH's tariff, customers are informed of the charges at the time they call to report a loss of electric service and no other outages have been reported in the customer's vicinity. The proposed charges will only apply to residential customers and small commercial customers taking service under rate G. Medium or large commercial and industrial customers receiving service under rates GV or LG will be charged the actual cost of the investigation, as is PSNH's current practice.

To summarize, Staff has reviewed PSNH's filing and recommends the Commission issue an order *nisi* approving the proposed tariff pages and authorizing PSNH to implement charges of \$125 and \$250, applicable to residential and small commercial customers, for loss of service investigations performed within and outside normal working hours, respectively. PSNH has not requested a specific effective date for the proposed charges but has communicated to me that it would be helpful to receive an order at least a week in advance of the effective date in order to be able to communicate the change to all of its area work centers and call centers. With an order *nisi*, such a timetable should be easily accommodated.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "STE Mullen", written over a horizontal line.

Steven E. Mullen
Utility Analyst

cc: Service List
Office of Consumer Advocate

⁵ Staff confirmed that the test year level of revenue from loss of service investigation charges was included in PSNH's last distribution rate case, DE 06-028.