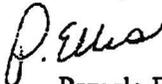


STATE OF NEW HAMPSHIRE
Inter-Department Communication

DATE: May 14, 2015

FROM:  Pamela Ellis
Office of Legislative Budget Assistant
State House, Room 102
Concord, New Hampshire 03301

RE: FIS 15:019 Amended

TO: Rorie Patterson
NH Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Attached is the fiscal impact statement listed above. It should be reviewed and then submitted to the Division of Administrative Rules, Office of Legislative Services, in accordance with the N.H. Rulemaking Manual dated September 2001.

Attachment

LBAO
FIS 15:019
02/05/15

Fiscal Impact Statement for Public Utilities Commission rules governing ~~Puc 1600—Tariffs And Special Contracts~~ Working Capital. [Puc 1604.07(t)]

1. Comparison of the costs of the proposed rule(s) to the existing rule(s):

When compared to the existing rules, the proposed rules may decrease costs to state citizens, political subdivisions and independently owned businesses by an indeterminable amount.

2. Cite the Federal mandate. Identify the impact on state funds:

No federal mandate, no impact on state funds.

3. Cost and benefits of the proposed rule(s):

The Commission states that the proposed rules will cause certain utilities to incur the cost of a lead/lag study. The costs of these studies are typically borne by the customer, through rate case expense charges; however these studies may be less than the costs that customers might pay if rates are set using an imprecisely-calculated working capital requirement. To the extent a state citizen, political subdivision or independently owned business is a ratepayer, the proposed rules may decrease costs.

A. To State general or State special funds:

None.

B. To State citizens and political subdivisions:

See 3 above.

C. To independently owned businesses:

See 3 above.

Addendum

May 14, 2015

As a result of the rulemaking process, the Commission revised its proposed rules by changing the applicability of the threshold in proposed rule Puc 1604.07 (t) from \$10,000,000 to \$50,000,000. The proposed revision does not change the fiscal impact statement.

APR 09 2015

5/4 N/A

COVER SHEET FOR FINAL PROPOSAL

Notice Number 2015-15 Rule Number Puc 1604.07(t)

1. Agency Name & Address:

**Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301**

See p. 1.

2. RSA Authority:

RSA 365:8, VIII and XII

3. Federal Authority:

4. Type of Action:

- Adopt
- Amendment
- Repeal
- Readoption
- Readoption w/amendment

Edit.

5. Short Title: Puc 1604.07(t) Working Capital

6. Contact person for copies and questions:

Name:	Rorie E. Patterson	Title:	Staff Attorney
Address:	New Hampshire Public Utilities Commission 21 South Fruit Street Suite 10 Concord NH 03301	Phone #:	603-271-2431

7. Yes No Agency requests review by Committee legal staff in the Office of Legislative Services and delayed Committee review pursuant to RSA 541-A:12, I-a.

8. The rulemaking notice appeared in the Rulemaking Register on May 29, 2014.

9. Yes N/A Agency notified policy committees, or House Speaker and Senate President, pursuant to RSA 541-A:10, I because this is the first time this rule or its amendments have been proposed to implement newly-enacted state authority.

**SEE THE INSTRUCTIONS--PLEASE SUBMIT ONE COPY OF THIS COVER SHEET AND ONE COPY OF THE FOLLOWING:
(optional to number correspondingly)**

10. The "Final Proposal-Fixed Text," including the cross-reference table required by RSA 541-A:3-a, II as an appendix.

11.- Yes N/A Incorporation by Reference Statement(s) because this rule incorporates a document or Internet content by reference for which an Incorporation by Reference Statement is required pursuant to RSA 541-A:12, III.

12. Yes N/A The "Final Proposal-Annotated Text," indicating how the proposed rule was changed because the text of the rule changed from the Initial Proposal pursuant to RSA 541-A:12, II(e).

13. Yes N/A The amended fiscal impact statement because the change to the text of the Initial Proposal affects the original fiscal impact statement (FIS) pursuant to RSA 541-A:5, VI.

INSTRUCTIONS FOR THE COVER SHEET FOR FINAL PROPOSAL

The first and second unnumbered items, and Items 1 through 5, shall be completed with the same information as appeared in the "Rulemaking Notice Form" (Appendix II-C) as published for the Initial Proposal in the Rulemaking Register. Item 6 shall identify the name, title, address, and telephone number of the person in the agency who can answer questions about the proposed rule and supply copies.

The agency shall then indicate, by checking the appropriate box on Item 7, whether it is requesting that it receive and respond to comments of the Committee legal staff prior to the Committee meeting that is at least 28 days, but not more than 60 days, after the proposal is filed. In effect, this would be a request for postponement of Committee action. See RSA 541-A:12, I-a and Section 2.14 of Chapter 3 in the Drafting and Procedure Manual for Administrative Rules (Manual).

In Item 8 the agency shall list the full date, by month, day, and year, on which the "Rulemaking Notice Form" was published in the Rulemaking Register.

In Item 9 the agency shall indicate, by checking either the "Yes" box or the "N/A" (not applicable) box, whether it had notified the House and Senate policy committees, or the House Speaker and Senate President, pursuant to RSA 541-A:10, I because the Initial Proposal was the first time the rule or its amendments had been proposed to implement newly-enacted state authority.

Items 10 through 13 all relate to required attachments to the "Final Proposal Cover Sheet". PROVIDE ONE COPY OF EVERYTHING SUBMITTED. IT IS OPTIONAL TO NUMBER THEM ACCORDINGLY. Item 10 is required in every filing, and therefore is listed without a check-box. Items 11 through 13 will be required only under the circumstances set forth in the description of the items listed below. The agency shall determine whether such attachment is required and then check either the "Yes" box to indicate that the document is required and has been attached or the "N/A" box if the document is not required and therefore not applicable:

- Item 10. The "Final Proposal—Fixed Text," required by RSA 541-A:12, II(b). See also Section 2.12 of Chapter 3 in the Manual. Include the cross-reference table required by RSA 541-A:3-a, II as was done for the Initial Proposal. See Section 2.4 of Chapter 3 in the Manual.
- Item 11. An "Incorporation by Reference Statement" (Appendix II-H) if the agency has incorporated a third-party document or Internet content by reference for which such a statement is required pursuant to RSA 541-A: 12, III. See Section 3.12 of Chapter 4 in the Manual.
- Item 12. The text of the final proposal annotated to reflect how the text of the Final Proposal differs from the text of the Initial Proposal, if the text has changed during the public hearing and comment process. See RSA 541-A:12, II(e) and Section 5.4 of Chapter 4 in the Manual.
- Item 13. The amended fiscal impact statement obtained from the Legislative Budget Assistant if, as a result of the public hearing and comment process, a change has been made to the rule which affects the original fiscal impact statement. See RSA 541-A:5, VI and Section 2.11 of Chapter 3 in the Manual.

Fiscal Impact Statement for Public Utilities Commission rules governing Puc 1600 – Tariffs And Special Contracts. [Puc 1604.07(t)]

1. Comparison of the costs of the proposed rule(s) to the existing rule(s):

When compared to the existing rules, the proposed rules may decrease costs to state citizens, political subdivisions and independently owned businesses by an indeterminable amount.

2. Cite the Federal mandate. Identify the impact on state funds:

No federal mandate, no impact on state funds.

3. Cost and benefits of the proposed rule(s):

The Commission states that the proposed rules will cause certain utilities to incur the cost of a lead/lag study. The costs of these studies are typically borne by the customer, through rate case expense charges; however these studies may be less than the costs that customers might pay if rates are set using an imprecisely-calculated working capital requirement. To the extent a state citizen, political subdivision or independently owned business is a ratepayer, the proposed rules may decrease costs.

A. To State general or State special funds:

None.

B. To State citizens and political subdivisions:

See 3 above.

C. To Independently owned businesses:

See 3 above.

See comment to rule.

Edit. "Amend"

Edit. "cited and"

Readopt with amendments Puc 1604.07(t), effective 3/14/14 (Document #10535), to read as follows:

CHAPTER Puc 1600 TARIFFS AND SPECIAL CONTRACTS

Puc 1604.07 Contents of Filing Requirement Schedules.

(t) A utility shall describe on a document entitled "Schedule 3A - Working Capital", its working capital, based on a detailed lead-lag study. Utilities with gross revenues of less than \$50,000,000 may use a formula based on the length of ½ of the utility's billing cycle plus 30 days in lieu of a detailed lead-lag study.

Legislative Intent and Adequacy of FIS. The dollar amount specified in the rule has increased from \$10,000,000 in the Initial Proposal. To the extent that the change affects the original FIS, an amended FIS is required pursuant to RSA 541-A:5, VI and RSA 541-A:12, II(c). No amended FIS was filed with the FP. Whether the FIS is incomplete pursuant to RSA 541-A:12, II will be a threshold issue for the Committee before voting is possible on the proposal. Alternatively, the Committee may object that the FIS is inadequate.

Appendix

Rule	Specific State Statute the Rule Implements
Puc 1604.07	RSA 365:8, V and XII; 378:5-10

TITLE LV

PROCEEDINGS IN SPECIAL CASES

CHAPTER 541-A

ADMINISTRATIVE PROCEDURE ACT

Section 541-A:5

541-A:5 Fiscal Impact Statements. –

I. The agency shall provide the legislative budget assistant with adequate details of the intended action and supporting data to enable the legislative budget assistant to prepare a fiscal impact statement.

II. The legislative budget assistant shall develop a form which shall specify the details and supporting data necessary to assess the fiscal impact of the proposed rule.

III. The legislative budget assistant shall establish a schedule of deadlines for submission of the fiscal impact form, and the agency shall file the completed form with the legislative budget assistant in accordance with such deadlines.

IV. The fiscal impact statement issued by the legislative budget assistant shall not be limited to dollar amounts, but shall include a discussion of the methodology used to reach any stated amounts. In addition, the fiscal impact statement shall consist of:

(a) A narrative stating the costs and benefits to the citizens of the state and to the political subdivisions of the intended action.

(b) A conclusion as to the cost or benefit to the state general fund or any state special fund of taking the intended action.

(c) An explanation of, and citation to, the federal mandate for the proposed rule, if there is such a mandate, and how that mandate affects state funds.

(d) A comparison of the cost of the proposed rule with the cost of the existing rule, if there is an existing rule.

(e) An analysis of the general impact of the proposed rule upon any independently owned businesses, including a description of the specific reporting and recordkeeping requirements upon small businesses which employ fewer than 10 employees.

V. All agencies are directed to cooperate with the legislative budget assistant in the preparation of fiscal impact statements.

★ VI. Agencies shall also obtain an amended fiscal impact statement from the legislative budget assistant only if as a result of notice and hearing a change has been made which affects the original fiscal impact statement. Agencies shall file the amended fiscal impact statement as part of the final proposal pursuant to RSA 541-A:12, II.

Source. 1994, 412:1. 2000, 288:5, 6. 2001, 110:1, eff. Aug. 25, 2001.

TITLE LV

PROCEEDINGS IN SPECIAL CASES

CHAPTER 541-A

ADMINISTRATIVE PROCEDURE ACT

Section 541-A:12

541-A:12 Filing Final Proposal. –

I. After fully considering public comment and any committee comments or comments by the office of the legislative services received pursuant to RSA 541-A:11, and any other relevant information, a quorum of the members of the agency or the agency official having rulemaking authority shall establish the text of the final proposed rule. After the text of the final proposed rule has been established, the agency shall file the final proposal no earlier than 21 days and no later than 150 days after the date of publication of the notice in the rulemaking register. If an agency is required to rewrite a rule in accordance with RSA 541-A:8, the agency shall have up to 180 days after the date of publication of the notice in the rulemaking register to file the final proposal. The agency shall file the final proposal with the director of legislative services. Final proposals filed no later than 14 days before a regularly scheduled committee meeting shall be placed on the agenda for that meeting. Final proposals filed fewer than 14 days before a regularly scheduled committee meeting shall be placed on the agenda of the following regularly scheduled committee meeting.

I-a. If an agency chooses to receive and respond to comments before the committee meeting as specified in RSA 541-A:13, II(a) and (b), the agency shall file the final proposal with a request that the final proposal be reviewed by the office of legislative services and placed on the agenda for the next regularly scheduled committee meeting or special meeting that is at least 28 days but no more than 60 days after the date that the final proposal is filed. The final proposal and request shall be filed at least 14 days prior to the first regularly scheduled committee meeting at which the request may be considered. The committee shall notify the agency in writing of its approval or denial of the request.

II. The final proposal shall include:

(a) A cover sheet listing:

- (1) The number of the notice and the date the notice appeared in the rulemaking register;
- (2) The name and address of the agency;
- (3) The title and number of the rule; and
- (4) A citation to the statutory authority for the rule.

(b) One copy of the established text of the final proposed rule.

★ (c) If required pursuant to RSA 541-A:5, VI, an amended fiscal impact statement from the legislative budget assistant stating that as a result of notice and hearing the rule did change and explaining how this change affects the original fiscal impact statement.

(d) A copy of the fixed text of the final proposed rule annotated clearly to show how the final proposed rule differs from the rule as initially proposed, if the text has changed.

III. An agency may establish requirements in its rules by citing to a document or to Internet content prepared by an unrelated third party. If state-enforceable requirements are so established, the agency shall file an incorporation by reference statement as specified in paragraph IV with the final proposal. No agency shall incorporate by reference any document or Internet content prepared by or on behalf of the agency.

IV. Any incorporation by reference statement required by paragraph III shall include a statement

APPENDIX II-B

cas 1/30/15

1/21/15

OFFICE OF LEGISLATIVE BUDGET ASSISTANT
REQUEST FOR FISCAL IMPACT STATEMENT (FIS)

FIS Number 15-019

Rule Number Puc 1604.07(t)

<p>1. Agency Name & Address:</p> <p>Public Utilities Commission 21 S. Fruit Street, Suite 10 Concord, New Hampshire 03301</p>	<p>2. RSA Authority: <u>RSA 362-F:13</u></p> <p>3. Federal Authority: _____</p> <p>4. Type of Action:</p> <p>Adoption _____</p> <p>Amendment _____</p> <p>Repeal _____</p> <p>Readoption _____</p> <p>Readoption w/amendment <u>X</u></p>
---	---

5. Short Title: Puc 1600 - TARIFFS AND SPECIAL CONTRACTS

6. Contact Person:

Name:	Rorie Patterson	Title:	Staff Attorney
Address:	N.H. Public Utilities Commission 21 South Fruit Street Suite 10 Concord, NH 03301	Phone #:	603-271-5189
		Fax #:	603-271-4033
			Rorie.patterson@puc.nh.gov
			TYTY/TDD Access: Relay NH 1-800-735-2964 or dial 711 (in NH)

Remember:

- (a) A copy of the proposed rule or an annotated copy of the amended rule must accompany this form. The annotated copy shall use [brackets] to indicate deleted material, and underlining for added material, or any other annotation style allowed in Section 5.4 in Chapter 4 of the Drafting and Procedure Manual for Administrative Rules.
- (b) If calculations are required in the preparation of this request, attach a worksheet showing the methodology.
- (c) This form may be replicated to expedite preparation.
- (d) A transmittal memo shall accompany a request for a fiscal impact statement, noting the number of requests being sent and short titles.
- (e) Please allow 10 working days from day of receipt for the Office of Legislative Budget Assistant to complete the fiscal impact statement. Additional information about this form is in Section 2.3 in Chapter 3 of the Drafting and Procedure Manual for Administrative Rules.

Rorie Patterson

REQUEST FOR FISCAL IMPACT STATEMENT (FIS) - Page 2

(f) Please provide the following information and attach additional sheets if necessary:

(1) Summarize the rule.

The rule sets forth the Commission's requirements for the filing of a document entitled "Schedule 3A - Working Capital" and the utility's calculation of its working capital requirement, which is recovered through customer rates. Working capital recovers the capital cost to fund the timing differences between the utility's receipt of revenues and its payment of expenses. The existing rule allows all utilities, regardless of size or revenues, to use either a billing-cycle formula or a lead/lag study to calculate working capital requirements. A lead/lag study is a systematic method of calculating the average number of days investors supply working capital to operate the utility.

As amended, the rule allows utilities with gross revenues under \$10,000,000 to continue using either a billing-cycle formula or a lead/lag study to calculate working capital. The amended rule, however, requires utilities with gross revenues of \$10,000,000 or more to use a lead/lag study to calculate working capital. By requiring the larger utilities to use a lead/lag study, the working capital requirements may be more accurately calculated, at a lesser cost to customers, and the Commission is better able to fulfill its mandate of just and reasonable rates.

(2) Is the cost associated with this rule mandated by the rule or by state statute? If the cost is mandated by statute, then the rule itself may not have a cost or benefit associated with it. Please state either the statute or chapter law that is instigating this rule.

There are no incremental costs to the state arising from this rule. Any costs to others, which are associated with this rule, are mandated by the statutes authorizing the Commission's authority over utility rates. See, e.g., RSA 378:1, 378:7, and 378:28.

(3) Compare the cost of the proposed rule with the cost of the existing rule, if there is an existing rule.

There are no costs to the state as a result of the proposed rule as compared to the existing rule. The state as ratepayer may realize cost savings in the long run.

(4) Describe the costs and benefits to the state general fund which would result from this rule.

This rule is neutral as applied to the state general fund, which will result from this rule.

(5) Explain and cite the federal mandate for the proposed rule, if there is such a mandate. How would the mandate affect state funds?

There is no federal mandate for this proposed rule.

(6) Describe the cost and benefits to any state special fund which would result.

This rule is neutral as applied to any state special fund which will result from this rule.

- (7) Describe the costs and benefits to the political subdivisions of the state.

Political subdivisions, as ratepayers, may realize cost savings in the long run.

- (8) Describe the costs and benefits to the citizens of the state.

The rule will cause certain utilities to incur the cost of a lead/lag study. Based on experience, the costs of these studies, which are ultimately borne by the customer (i.e., through rate case expense charges), may be less than the costs that customers will pay if rates are set using an imprecisely-calculated working capital requirement.

For example, in 2010 and 2011, the two natural gas distribution companies in New Hampshire filed rate cases with the Commission. Both utilities used lead/lag studies to determine working capital, and the costs of the studies were in the range of \$20,000 to \$35,000. One of the gas utilities filed a rate case in 2014 under the existing rule. In calculating its proposed new revenue requirement (i.e., the total amount of revenue it collects from customers), the utility determined its working capital requirement using a 45-day billing-cycle methodology (instead of a lead/lag study). The result was a proposed increase of \$320,000 in customer cost for working capital when compared to the working capital determined using the results of the detailed lead-study on which current rates are based. The rule as amended would require this utility, because of the level of its gross revenues, to use a lead/lag study for future rate cases. For customers of this utility and other similarly situated utilities, the benefits of the rule are clear: a lead/lag study helps to ensure more just and reasonable rates, because the working capital requirement is more precisely calculated.

- (9) Describe the costs and benefits to any independently owned business, including a description of the specific reporting and recordkeeping requirements upon those employing fewer than 10 employees.

This rule is neutral as applied to independently-owned businesses beyond what is imposed by statutes authorizing the Commission's ratemaking authority.