

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 28, 2014
AT (OFFICE): NHPUC

FROM: ^{SEM} Steven E. Mullen
Assistant Director – Electric Division

SUBJECT: DE 08-135 – Public Service Company of New Hampshire
Line Extension Rate Filing

Staff Recommendation re: February 24, 2014 Rate Filing

TO: Chairman Amy Ignatius
Commissioner Robert Scott
Commissioner Martin Honigberg
Executive Director Debra Howland

Background

On February 24, 2014, Public Service Company of New Hampshire (PSNH), pursuant to the terms of a Settlement Agreement¹ approved by the Commission in Order No. 25,046 (Nov. 20, 2009) in the above docket, filed a report on its line extension policy consisting of a technical statement and proposed tariff pages. Pursuant to the Settlement Agreement, PSNH was to phase in, over three years, new line extension charges based upon a specified cost per foot. The phase-in period ran until March 31, 2013, after which time the Settlement Agreement provided a method for calculating the cost per foot that would apply to line extensions beginning April 1, 2013. The Settlement Agreement also required PSNH to provide a report to the settling parties summarizing cost and other information relating to line extensions by March 1 of each year, beginning in 2013. PSNH submitted its initial required annual filing on March 1, 2013, and the instant filing represents PSNH's adherence to the annual filing requirement.

Summary of PSNH's February 24, 2014 Report

In its report, PSNH stated that it followed the methodology described in the Settlement Agreement to record the actual cost of each line extension that was initiated and constructed during the period January 1, 2011 through December 31, 2013, including whether the line extension involved an overhead or underground service drop and the total length of the line extension, including the service drop, when applicable. The report states that in its cost per foot calculations, PSNH included the actual costs associated with each line extension, except for the cost of transformers, consistent with the terms of the

¹ The signatories to the Settlement Agreement were PSNH, the Homebuilders & Remodelers Association of NH, the Office of Consumer Advocate and Commission Staff.

Settlement Agreement. In addition, PSNH adjusted the 2011 and 2012 line extension costs to the 2013 level using the annual average Consumer Price Index as specified in the Settlement Agreement.

Based on its analysis of the actual costs of line extensions constructed during calendar years 2011 – 2013, PSNH calculated the following changes for line extensions for effect April 1, 2014:

- single-phase overhead line extensions: the cost per foot will increase by \$0.83 from \$20.71 to \$21.54.
- single phase underground line extensions: the cost per foot will decrease by \$0.11 from \$15.48 to \$15.37.

PSNH also stated that charges for three-phase overhead and underground line extensions will continue to be based on customer-specific job requirements.

Analysis and Recommendation

The process for determining the average cost per foot for overhead and underground single-phase line extensions was a component of the Settlement Agreement and reads as follows:

To calculate the average cost per foot by construction type for the period April 1, 2013 through March 31, 2014, PSNH will record the actual cost of each line extension (defined as an extension of PSNH's distribution system to serve one or more prospective customers, but excluding extensions that are exclusively service drops) that was initiated and completed during the period January 1, 2010 (or the effective date approved by the Commission) through the end of 2010 and the two calendar years which follow. In addition, PSNH will record whether the line extension includes an overhead or underground service drop and the total length of the line extension, including the service drop, if applicable. Other than the cost of transformers, the actual cost will include all other costs associated with the line extension construction, including the cost of any overhead or underground service drops, if applicable. The line extensions will be segregated into the following construction type categories: overhead single-phase construction, overhead three-phase construction, underground single-phase construction and underground three-phase construction. Line extensions utilizing more than one type of construction (i.e. using both overhead and underground construction or using both single-phase and three-phase construction) will be eliminated from the data base used for the calculations. The adjustments described below in paragraphs (a) and (b)² will be made to the actual cost of each

² (a) and (b) refer to an "Inflation Adjustment" and a "Service Drop Adjustment," respectively. The inflation adjustment is based on a Consumer Price Index specific to the Northeast Region. The service

line extension (“Adjusted Line Extension Cost”) and to the total length of each line extension (“Adjusted Line Extension Length”). The average cost per foot by construction type will be calculated by summing the Adjusted Line Extension Costs and the Adjusted Line Extension Lengths by construction type and dividing the sum of the Adjusted Line Extension Costs by the sum of the Adjusted Line Extension Lengths by construction type.

PSNH will update the average cost per foot figures by construction type annually thereafter, based on the line extensions completed during the previous three calendar years and utilizing the methodology described above in this paragraph 2. The effective date of the updated average cost per foot figures will be three months following the end of the third calendar year (i.e. April 1).

Staff has reviewed the report and supporting calculations along with the Settlement Agreement and PSNH’s line extension tariff. In addition, Staff was provided with a) cost data for each line extension constructed during the years 2011 through 2013 organized by construction type (i.e., single-phase overhead, single-phase underground, three-phase overhead and three-phase underground) and b) PSNH’s calculations involving the Consumer Price Index. The revised per foot charges were calculated consistent with the terms of the Settlement Agreement approved by the Commission in Order No. 25,046.

Based on its review, Staff recommends that that revised tariff pages incorporating cost per foot charges of \$21.54 and \$15.37 for overhead single-phase and underground single-phase line extension construction, respectively, be approved and allowed to go into effect beginning April 1, 2014. Considering that the Commission has previously approved the Settlement Agreement and PSNH’s February 24, 2014 filing was submitted in compliance with that agreement, Staff recommends that the Commission approve the revised per foot charges for line extensions via the issuance of a secretarial letter.

Please let me know if you have any questions regarding this recommendation.

cc: Service List

drop adjustment involves reducing the cost and length of a line extension by the installed cost of a single-phase overhead service drop of 125 feet in length.

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.