

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

October 6, 2009 - 10:08 a.m.  
Concord, New Hampshire

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RE: DE 08-135  
PUBLIC SERVICE OF NEW HAMPSHIRE:  
Public Service of New Hampshire's Tariff  
Filing to Propose a New Line Extension  
Policy.

PRESENT: Chairman Thomas B. Getz, Presiding  
Commissioner Clifton C. Below  
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Public Service of New Hampshire:  
Gerald M. Eaton, Esq.

Reptg. the Home Builders and Remodelers  
Association of N.H.:  
Kendall L. Buck

Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Kenneth E. Traum, Asst. Consumer Advocate  
Office of Consumer Advocate

Reptg. PUC Staff:  
Suzanne G. Amidon, Esq.  
Steven E. Mullen, Asst. Dir. - Electric Div.  
Al-Azad Iqbal, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

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I N D E X

PAGE NO.

<b>WITNESS:</b>	<b>RHONDA J. BISSON</b>	
Direct examination by Mr. Eaton		5
Cross-examination by Mr. Mullen		21
Interrogatories by Cmsr. Below		23
Interrogatories by Cmsr. Ignatius		25

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E X H I B I T S

EXHIBIT NO.	DESCRIPTION	PAGE NO.
1	Filing by PSNH containing the Testimony of Rhonda J. Bisson, including attachments (11-03-09)	6
2	Settlement Agreement, including attachments (09-18-09)	7

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CLOSING STATEMENTS BY:		PAGE NO.
	Ms. Hatfield	28
	Mr. Buck	29
	Ms. Amidon	30
	Mr. Eaton	30

1  
2  
3  
4  
5  
6  
7  
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P R O C E E D I N G

CHAIRMAN GETZ: Okay. Good morning, everyone. We'll open the hearing in docket DE 08-135. On November 3, 2008, Public Service Company of New Hampshire proposed tariff pages to establish a new line extension policy for developers and customers requesting extension of facilities to receive service under a residential or small business rate. An order suspending the tariff pages and scheduling a prehearing conference was issued on November 26th. A procedural schedule was established, but suspended for the purposes of allowing the parties to conduct settlement negotiations. And, a settlement agreement was filed on September 18, 2009, will be the subject of this morning's hearing.

Can we take appearances please.

MR. EATON: For Public Service Company of New Hampshire, my name is Gerald M. Eaton.

CHAIRMAN GETZ: Good morning.

MR. EATON: Good morning.

MS. HATFIELD: Good morning, Commissioners. Meredith Hatfield, for the Office of Consumer Advocate, on behalf of residential ratepayers. And, with me for the office is Ken Traum.

CHAIRMAN GETZ: Good morning.

1 MR. BUCK: Good morning, Mr. Chairman,  
2 members of the Commission. I'm Kendall Buck, representing  
3 the Home Builders & Remodelers Association of New  
4 Hampshire.

5 CHAIRMAN GETZ: Good morning.

6 MS. AMIDON: Good morning. Suzanne  
7 Amidon, for Commission Staff. To my left is Steve Mullen,  
8 who is the Assistant Director of the Electric Division,  
9 and to his left is Al-Azad Iqbal, who is an Analyst with  
10 the Electric Division.

11 CHAIRMAN GETZ: Good morning. Mr.  
12 Eaton, are you ready to proceed?

13 MR. EATON: Yes. We'd like to call to  
14 the stand Rhonda Bisson.

15 (Whereupon *Rhonda Bisson* was duly sworn  
16 and cautioned by the Court Reporter.)

17 MR. EATON: Mr. Chairman, also with us  
18 today is Mr. Lee Lajoie, who works in our operations. If  
19 there's some technical questions concerning operations  
20 that Mrs. Bisson isn't able to address, Mr. Lajoie could  
21 be sworn and answer those questions.

22 CHAIRMAN GETZ: Okay. Thank you.

23 RHONDA BISSON, SWORN

24 DIRECT EXAMINATION

[WITNESS: Bisson]

1 BY MR. EATON:

2 Q. Mrs. Bisson, will you please state your name for the  
3 record.

4 A. My name is Rhonda Bisson.

5 Q. For whom are you employed?

6 A. I'm employed for Public Service Company Service of New  
7 Hampshire.

8 Q. What is your position?

9 A. I'm a Senior Analyst in the Rate and Regulatory  
10 Services Department.

11 Q. And, what are your duties?

12 A. As a Senior Analyst in the Rate and Regulatory Services  
13 Department, I'm responsible for administering and  
14 interpreting PSNH's delivery service tariff, including  
15 PSNH's line extension policy for residential and small  
16 business customers. In addition, I prepare regulatory  
17 filings and the analysis supporting regulatory filings.

18 Q. Did you submit prefiled testimony in this proceeding?

19 A. Yes, I did.

20 Q. And, do you have that in front of you?

21 A. I do.

22 Q. Is that -- what is the date on the cover letter?

23 A. "November 3rd, 2008".

24 Q. And, is this the testimony that was prepared by you or

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 under your supervision?

2 A. Yes, it is.

3 Q. And, are you including in your testimony the  
4 attachments that were contained in that package?

5 A. Yes, I am.

6 Q. Do you have any corrections to make to that testimony  
7 today?

8 A. No, I do not.

9 Q. And, if asked those questions today, you would answer  
10 the same way?

11 A. Yes, I would.

12 MR. EATON: Mr. Chairman, could we have  
13 the November 3rd package marked as "Exhibit 1" for  
14 identification?

15 CHAIRMAN GETZ: Be so marked.

16 (The document, as described, was  
17 herewith marked as **Exhibit 1** for  
18 identification.)

19 BY MR. EATON:

20 Q. Mrs. Bisson, did you respond to data requests that were  
21 propounded by the parties in this proceeding?

22 A. Yes. I responded to some of the data requests, as well  
23 as other individuals from PSNH.

24 Q. And, did you participate in discussions with the

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 parties and Staff, which led to the Settlement  
2 Agreement that the Chairman spoke?

3 A. Yes, I did.

4 Q. Do you have the Settlement Agreement in front of you?

5 A. Yes, I do.

6 Q. What is the date of the cover letter on the Settlement  
7 Agreement?

8 A. The date is "September 18th, 2009".

9 Q. And, are there any attachments to the Settlement  
10 Agreement that were filed on that date?

11 A. Yes, there were.

12 Q. And, those would be the tariff pages that reflect the  
13 agreement of the parties?

14 A. Yes. I believe there was a black lined version of the  
15 tariff pages, as well as a clean version of the tariff  
16 pages.

17 MR. EATON: Mr. Chairman, could we have  
18 that filing of September 18th, 2009 marked for  
19 identification as "Exhibit Number 2"?

20 CHAIRMAN GETZ: So marked.

21 (The document, as described, was  
22 herewith marked as Exhibit 2 for  
23 identification.)

24 BY MR. EATON:

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 Q. Could you describe the Company's existing line  
2 extension policy.

3 A. Yes, I can. PSNH's existing line extension policy for  
4 residential and small business customers served under  
5 PSNH's Rate G has been in place for approximately 30  
6 years. And, under that policy, PSNH provides a  
7 dedicated pole-mounted transformer, if it's necessary,  
8 an overhead service drop, and 300 feet of distribution  
9 facilities at no charge to the customer. Any  
10 installation that requires distribution facilities  
11 beyond that amount, beyond an overhead service drop of  
12 300 feet, is subject to a line extension charge. And,  
13 the charges are based on where the line extension is  
14 built, whether that line extension is built along a  
15 public highway or on private property, and, in  
16 addition, the type of construction. It's based on the  
17 type of construction used. That is, whether it's  
18 overhead or underground or whether it's single-phase  
19 facilities or three-phase facilities.

20 And, the charges for an overhead  
21 single-phase line extension along a public highway, the  
22 line extension cost is based on an average cost per  
23 foot that is updated from time to time and is subject  
24 to review by this Commission. And, typically, we

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 update that cost during a rate case proceeding. And,  
2 the customer pays that cost over a five-year period.  
3 So, there's a monthly line extension surcharge over a  
4 five-year period.

5 For underground single-phase facilities  
6 that are built along a public highway, the customer  
7 pays the overhead single-phase charge that I just  
8 described, plus the customer is responsible to pay the  
9 excess cost of placing those facilities underground.  
10 And, the excess cost is paid as an up-front payment  
11 before construction begins. So, in those cases,  
12 there's two components. They pay a monthly charge over  
13 time and then the excess cost up front.

14 And, then, for overhead three-phase  
15 facilities, again, along a public highway, the customer  
16 pays the overhead single-phase cost, as I just  
17 described, plus they're responsible to pay a monthly  
18 cost of the two additional phases that we're adding to  
19 the facilities. And, that's based on basically taking  
20 two percent of that additional cost, and that's the  
21 monthly surcharge. They pay that, again, over a  
22 60-month or five-year period.

23 And, then, for underground three-phase  
24 facilities along a public highway, again, the customer

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 pays the overhead single-phase cost, the cost of the  
2 two additional phases, and those are paid over a  
3 60-month period, and then the customer is required to  
4 pay the excess cost of placing those facilities  
5 underground, and those costs are paid up front.

6 So, that's just for line extensions  
7 built along a public highway. If a line extension is  
8 built on private property, then the line extension cost  
9 is based on the estimated installed cost. And, our  
10 field technicians actually come up with an estimate  
11 based on the job-specific requirements. And, in that  
12 case, the line extension costs are paid up front before  
13 construction begins.

14 Now, as you know or as you can imagine,  
15 most line extensions are not built completely along a  
16 public highway or completely on private property. So,  
17 if we have a situation where a line extension is run  
18 along a public highway and on private property, then  
19 our field technicians have to use the appropriate  
20 methodology. They would have to break that line  
21 extension into two pieces and apply the private  
22 property approach and then apply the public highway  
23 approach. So, it becomes very complex very quickly.

24 In addition to the line extension cost,

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 each customer has to sign a Line Extension Agreement  
2 that basically outlines their payment terms and the  
3 charges for the line extension. And, in addition, PSNH  
4 must monitor each request for a new service to  
5 determine whether that new service is going to -- is  
6 being taken from an active line extension. And, a line  
7 extension is considered active for a five-year period.  
8 And, if a customer does request service from an active  
9 line extension, then we must go back and reallocate  
10 those original line extension costs between the  
11 original customer and any new customers that request  
12 service.

13 Q. Could you explain the background of why PSNH decided to  
14 change its line -- or, propose a change in its line  
15 extension policy and how that evidenced itself in the  
16 filing that was marked as "Exhibit 1"?

17 A. What led to PSNH proposing a new line extension policy  
18 at this time actually began as part of PSNH's last rate  
19 case proceeding. And, that was back in 2006. I think  
20 it was docket DE 06-028. And, at that time, based on  
21 some initial analyses, it was concluded that existing  
22 customers were subsidizing the cost of providing  
23 service to new customer locations. And, basically,  
24 that is that the distribution revenue that PSNH

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 receives from new customers doesn't cover the cost of  
2 initiating service. So, at that time, as part of the  
3 Settlement Agreement in PSNH's last rate case, the  
4 Parties and the Commission Staff agreed to review in  
5 more detail the cost of providing service versus the  
6 revenue received from new customers, and, in addition,  
7 to recommend ways to better align those costs and  
8 revenues. And, we agreed to submit a report to the  
9 Commission outlining our recommendations. And, in  
10 fact, a report was filed with the Commission on  
11 November 1st, 2007 outlining our proposal, this new  
12 line extension policy. And, as part of that report  
13 that we filed with the Commission, we also agreed, PSNH  
14 agreed, to make a filing with the Commission in 2008  
15 seeking approval of the new line extension policy.

16 In addition to minimizing the  
17 subsidization that's occurring between existing  
18 customers and new customers, PSNH also had a desire to  
19 increase efficiency. And, what I mean by that is to  
20 really begin to reduce the amount of time PSNH spends  
21 administering and estimating and monitoring line  
22 extension policies. So, that was an additional goal  
23 that we had, again, was to try to come up with a policy  
24 that not only minimizes subsidization, but also helps

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 to increase efficiency.

2 And, we also desired to implement just a  
3 much more straightforward and streamlined approach to  
4 coming up with line extension estimates, that would be  
5 easier for our customers to understand, as well as for  
6 our employees to understand and explain to customers.  
7 And, also, a simpler policy we felt would result in  
8 improved response times when responding to customer  
9 inquiries about line extensions. So, our third goal  
10 was to try to increase and improve customer  
11 satisfaction in this area.

12 Q. What were the changes that were proposed in the initial  
13 filing to the line extension policy, just the major,  
14 the major terms?

15 A. The main changes in our proposed line extension policy,  
16 when you compare our new policy to our existing policy,  
17 the first major change was the elimination of the  
18 300-foot overhead distribution facility allowance per  
19 customer. Under the new policy, PSNH would provide a  
20 dedicated overhead or pole-mounted transformer and an  
21 overhead service drop to a customer at no charge. They  
22 would no longer receive a 300-foot allowance under the  
23 new policy.

24 Secondly, we eliminated having separate

[WITNESS: Bisson]

1 policies for line extensions along a public highway, as  
2 compared to line extensions on private property.  
3 Basically, the cost of installing distribution  
4 facilities along a public highway or on private  
5 property aren't the same. So, we really didn't see any  
6 need to have separate policies for line extensions  
7 built along a public highway or on private properties.  
8 So, that was just a way to simplify the policy.

9 We also wanted to try to use one main  
10 method to calculate line extension costs. And, in our  
11 proposal, we were proposing to use an average cost per  
12 foot methodology for the different types of  
13 construction, whether it's overhead single-phase,  
14 underground single-phase, overhead three-phase, and  
15 underground three-phase, that we'd have three separate  
16 -- excuse me, four separate average cost per foot  
17 figures that we would use. And, we would calculate  
18 line extension costs by simply multiplying the average  
19 cost per foot figures by the length of the line  
20 extension.

21 Another change is that we would request  
22 up-front payments before construction would begin,  
23 rather than allowing, you know, for payments over a  
24 60-month period. And, in addition, the final major

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 change was to have no reallocation of line extension  
2 costs as new customers take service from a line  
3 extension.

4 Q. How was this proposal modified in the Settlement  
5 Agreement?

6 A. As part of the Settlement Agreement, there were three  
7 kind of major changes to the proposed policy. For  
8 overhead and underground single-phase facilities, our  
9 new plan is to phase in over a three-year period the  
10 average -- increases in the average cost per foot  
11 charges that would be used to determine the line  
12 extension costs. And, the reason we did that is to  
13 lessen the impact that the new policy would have on  
14 customers who request line extensions. I think we're  
15 all very well aware of the current downturn in the  
16 economy, and the significant decrease in the demand for  
17 new housing here in New Hampshire, as well as the  
18 tightening of the credit market, which has had an  
19 impact on new home sales as well. And, as a result,  
20 the parties felt that it would be appropriate to phase  
21 in increases over this three-year period, to lessen the  
22 impact on the housing industry here in New Hampshire,  
23 as well as consumers who may be purchasing new homes at  
24 this time.

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1                   In addition, for overhead and  
2                   underground three-phase facilities, we're recommending  
3                   that, rather than using an average cost per foot  
4                   methodology at this time, that we will base those line  
5                   extension costs on the customer-specific job  
6                   requirements. In our original proposal, we didn't have  
7                   a large number of sampling points for those types of  
8                   construction. So, at this time, we feel it would be  
9                   appropriate to base it on the customer-specific job  
10                  requirements.

11                  And, in addition, we agreed to update  
12                  the methodology that will be used to calculate the  
13                  average cost per foot figures by construction type  
14                  after this three year phase-in period is complete.  
15                  And, the new methodology will use much larger sample  
16                  sizes in order to determine the average cost per foot  
17                  figures.

18                  Would you like me to describe the  
19                  methodology in detail?

20    Q.    Yes, why don't you.

21    A.    Okay. I wasn't sure if we were going to head in that  
22           direction. This new methodology, let me -- in our  
23           proposal, we had proposed to just use actual line  
24           extensions that were completed in the previous calendar

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 year. And, we were going to base those line extension  
2 costs -- base the actual cost of those line extensions  
3 and use those to calculate the average cost per foot  
4 figure. Under our new methodology, we're going to  
5 record the actual cost of line extensions that are  
6 completed in 2010, as well as the two calendar years  
7 that follow. So, we're kind of going to look at a  
8 three-year period. We're going to record whether the  
9 line extension includes an overhead or an underground  
10 service drop, and we're also going to record the total  
11 length of the line extension. And, then what we'll do  
12 is we will segregate those line extensions into the  
13 four construction types, again, whether it's overhead  
14 or underground single-phase and overhead or underground  
15 three-phase.

16 Our plan is to adjust the line extension  
17 cost for the first year and the second year, which  
18 would be 2010 and 2011, for inflation, so that the costs  
19 more accurately reflect costs in the third year. For  
20 line extensions that include a service drop, the actual  
21 cost of those line extensions will be reduced by the  
22 cost of a 125-foot overhead service drop. And, the  
23 total length of those line extensions would be reduced  
24 by 125 feet. What we are attempting to do is to remove

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 the cost of the facilities that are typically provided  
2 by PSNH at no charge, so the average cost per foot  
3 figures would be represent representative of line  
4 extension costs that are beyond a service drop. And,  
5 then, PSNH will update the average cost per foot  
6 figures annually, thereafter, based on line extensions  
7 completed in the previous three calendar years.

8 So, our initial -- our initial average  
9 cost per foot figures that will utilize this  
10 methodology would be effective on April 1st, 2013.  
11 And, then, from that point forward, we would use this  
12 rolling three year -- three year average, it's three  
13 years of line extension costs to calculate our average  
14 cost per foot going forward.

15 Q. Mrs. Bisson, why was the date of April 1st chosen for  
16 the annual change in the tariff rate?

17 A. Mainly so that we would have the data available for  
18 that full previous calendar year. You know, the data  
19 will become available probably by the -- probably I  
20 would say in the February timeframe. And, so, what we  
21 agreed to do is, by March 1st of each year, we would  
22 actually provide a report to the settling parties that  
23 would show what the calculation is of the average cost  
24 per foot figures each year. And, then, on April 1st,

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 those new average cost per foot figures would become  
2 effective.

3 Q. Could you summarize the benefits of this proposal as  
4 evidenced in the Settlement Agreement.

5 A. The benefits of the new proposal, including incorporate  
6 -- in addition, incorporating the changes in the  
7 Settlement Agreement, I think, firstly, it just better  
8 aligns the costs and revenues, and minimizes the  
9 subsidization that's currently occurring between  
10 existing customers and new customers. In addition, it  
11 will keep costs and revenues better aligned on an  
12 ongoing basis, because we'll be updating the average  
13 cost per foot figures on an annual basis. And, in the  
14 past, those values were only updated when PSNH filed a  
15 rate case. And, it could be several years before those  
16 average cost per foot figures were updated.

17 We also feel it provides a much more  
18 efficient use of PSNH's resources. Again, the new  
19 policy is just greatly simplified over the existing  
20 policy, which will reduce the amount of time that PSNH  
21 spends administering and monitoring these line  
22 extensions, and will allow us to respond to other  
23 customer inquiries.

24 As part of the testimony, we did file

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 process maps, in which we had a process based on the  
2 existing policy and the process based on the new  
3 policy. And, what we were able to do is really to  
4 reduce our individual tasks, from about 66 separate  
5 tasks down to about 16 separate tasks. So, it was a  
6 significant reduction in the amount of time spent  
7 administering line extensions.

8 We also feel having a more simplified,  
9 straightforward approach to calculating line extensions  
10 will lead to a greater consistency of line extension  
11 estimates across PSNH's service area. Again, it's just  
12 a much more simplified approach. So, we feel we will  
13 have greater consistency. And, in addition, that we  
14 will improve our customer service, again, by being able  
15 to respond quicker, and also being able to explain our  
16 policy to our customers.

17 Q. Do you have anything to add to your testimony?

18 A. No.

19 MR. EATON: The witness is available for  
20 cross-examination.

21 CHAIRMAN GETZ: Thank you.

22 Ms. Hatfield?

23 MS. HATFIELD: One moment please.

24 (Atty. Hatfield and Mr. Traum

[WITNESS: Bisson]

1 conferring.)

2 MS. HATFIELD: No questions. Thank you.

3 CHAIRMAN GETZ: Thank you. Mr. Buck?

4 MR. BUCK: No questions.

5 CHAIRMAN GETZ: Ms. Amidon?

6 MS. AMIDON: Mr. Mullen has a couple of  
7 questions.

8 MR. MULLEN: I can't let you get away  
9 without any.

10 **CROSS-EXAMINATION**

11 BY MR. MULLEN:

12 Q. If you turn to your testimony, I'm looking at Pages 10  
13 and 11.

14 A. Okay.

15 Q. On Page 10, starting on Line 21, you talk about the --  
16 now what you were looking for was up-front payments for  
17 all line extensions. I think further in that section  
18 you talk about how certain things are financed now.  
19 Could you describe currently what happens with some of  
20 these financing agreements and what's going to happen  
21 in the future?

22 A. In terms of the existing line extension agreements that  
23 are in place?

24 Q. Yes.

[WITNESS: Bisson]

1 A. PSNH would plan to honor the existing line extension  
2 agreements that are in place, currently in place. So,  
3 that means that, if new customers request service  
4 within an active line extension, then there still would  
5 be this reallocation of costs for existing line  
6 extensions. So, we will honor those existing  
7 agreements until they expire.

8 Q. I think, on Page 11, you say that at the time you had  
9 "524" of those?

10 A. Correct.

11 Q. So, PSNH has to constantly monitor when somebody else  
12 comes on to an existing agreement within the up to  
13 five-year financing term?

14 A. Correct.

15 Q. Now, for those that are being financed over the 60  
16 month period, does PSNH make any money on those, on  
17 that financing agreement?

18 A. There isn't an additional interest rate that's  
19 included, no.

20 Q. So, it's just the total cost split over 60 months?

21 A. Correct.

22 MR. MULLEN: Thank you. Nothing  
23 further.

24 CHAIRMAN GETZ: Commissioner Below.

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 CMSR. BELOW: Yes. Thank you. Good  
2 morning.

3 WITNESS BISSON: Good morning.

4 BY CMSR. BELOW:

5 Q. I think you explain either in your testimony or the  
6 Settlement or both that underground extensions, that  
7 the customer is responsible for providing the  
8 excavation and conduit and such?

9 A. Correct.

10 Q. For somebody who just has a service drop, is that also  
11 the case? Say, somebody had a 50 or 100-foot service  
12 drop, they also are responsible for providing the  
13 conduit, the underground conduit and such, is that  
14 correct?

15 A. Correct.

16 Q. Okay. And, the cost in the Settlement for overhead  
17 single-phase facilities coming out somewhat less than  
18 originally proposed, I think the original proposal was  
19 13.09 per foot, and this ends up, in the third year, at  
20 11.40. Whereas, the cost for underground single-phase  
21 facilities in the original proposal was 12.93, and, in  
22 year two, under the Settlement, it gets to 13.08, and  
23 then 14.71. So, one is somewhat lower in the third  
24 year and the other is somewhat higher in the third

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 year. Is that because you did some recalculation of  
2 the cost, based on the formula in the Settlement, or  
3 you just had updated data or is that just the  
4 Settlement result?

5 A. For the overhead single-phase, we agreed to use the  
6 existing average cost per foot figure that's in PSNH's  
7 tariff today. So, that's the \$8.40 -- for overhead  
8 single-phase facilities, we agreed to use the current  
9 average cost per foot figures that are currently  
10 contained in PSNH's delivery service tariff, and then  
11 to increase the average cost per foot figure over time.  
12 And, then, starting with the fourth year, we would base  
13 -- we would base the average cost per foot on actual  
14 line extension costs.

15 For underground single-phase, we did  
16 take a quick look at underground single-phase  
17 facilities, to determine that starting point under the  
18 Settlement, and then just increased those values by the  
19 same percentage that we increased the overhead  
20 single-phase.

21 CMSR. BELOW: Okay. Thank you.

22 CHAIRMAN GETZ: Commissioner Ignatius.

23 CMSR. IGNATIUS: Thank you.

24 BY CMSR. IGNATIUS:

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 Q. I want to be sure I understand how the inflation  
2 adjustor works, and that's in the Settlement Agreement  
3 at Page 5. And, it may be my misunderstanding. Does  
4 the inflation adjustment apply on the effective date of  
5 the Settlement, so, starting in 2010 for -- so that the  
6 costs that you have laid out at Page 3 and 4, those are  
7 costs before there's an inflation adjustment on top of  
8 them or did those costs already assume a certain level  
9 of inflation, and the adjustor only comes in after  
10 2013?

11 A. That's a great question. The average cost per foot  
12 figures that you see for overhead single-phase and  
13 underground single-phase, those values are agreed upon  
14 values that will stay in place for those years. When  
15 we're talking about the inflation adjustment, we're  
16 talking about average cost per foot figures that would  
17 take effect on April 1st of 2013. Okay? So, what  
18 we'll do is we'll take a look at actual line extensions  
19 completed in 2010 and 2011 and 2013. I'm sorry, it's  
20 '10, '11, and '12. But I -- I was a Mathematics major,  
21 I can't even count. Oh, that's funny.

22 And, then, what we'll do is we'll apply  
23 an inflation factor to the line extensions, to those  
24 actual costs of those line extensions completed in

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 2010, we'll apply an inflation factor, as well as an  
2 inflation factor for the following year. So that all  
3 of those costs represent costs in 2012, more closely  
4 represent costs in 2012. And, the reason we did that  
5 is, our prior proposal, we had proposed to use the  
6 actual cost of line extensions completed in the  
7 previous calendar year. And, when we expanded this to  
8 looking at a three-year period of line extensions, we  
9 wanted those costs to more accurately represent costs  
10 in the prior year.

11 Q. And, if the Settlement Agreement is approved, this  
12 would allow for a continual updating or adjustment for  
13 inflation going forward with sort of a rolling  
14 three-year period, with the two years adjusted up to  
15 get up close to the third year's actual costs?

16 A. Correct.

17 Q. The other question I have, I'm not sure you'll know,  
18 but I'll throw it out to you. And, if we need to turn  
19 to someone else or your counsel, please let me know.  
20 There were letters submitted from New Hampshire Housing  
21 Finance Authority in April 2009 and from Neighbor Works  
22 Greater Manchester in May 2009, expressing concerns  
23 with your original proposal. Neither of them are  
24 signatories to the Settlement Agreement. Do you know

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 if either of those two entities are familiar with the  
2 Settlement? Do they have any different position at  
3 this point? And, if you don't, we'll turn to others  
4 later and see if we can get any help on that.

5 A. I'm not aware.

6 MS. IGNATIUS: Thank you.

7 CHAIRMAN GETZ: Well, we can turn to  
8 that right now.

9 MS. IGNATIUS: Sure.

10 CHAIRMAN GETZ: Can anyone answer that  
11 question from Commissioner Ignatius about the other  
12 parties?

13 MR. EATON: I don't believe they were  
14 intervenors. They did comment. And, we only provided  
15 copies of the Settlement to the signatories, including the  
16 Housing -- I mean, the Home Builders & Remodelers  
17 Association. But I believe Mr. Buck may be able to  
18 comment, because he was more directly in contact with  
19 those parties.

20 CHAIRMAN GETZ: Mr. Buck.

21 MR. BUCK: Thank you, Mr. Chairman. We  
22 did communicate with those parties that you mention about  
23 the proposed Settlement, to see if they indeed had  
24 additional concerns. They did not express any of those to

{DE 08-135} {10-06-09}

[WITNESS: Bisson]

1 us and indicated to us primarily that they would go along,  
2 if you will, with this, if it's approved.

3 MS. IGNATIUS: Thank you.

4 CHAIRMAN GETZ: Okay. Anything further  
5 for Ms. Bisson?

6 MR. EATON: No. I have no questions on  
7 redirect.

8 CHAIRMAN GETZ: Okay. Hearing nothing,  
9 then you're excused. Thank you.

10 WITNESS BISSON: All right. Thank you.

11 CHAIRMAN GETZ: Is there anything else  
12 we need to address this morning with respect to the  
13 Settlement?

14 (No verbal response)

15 CHAIRMAN GETZ: Okay. Hearing nothing,  
16 then, is there any objection to striking identifications  
17 and admitting the exhibits into evidence?

18 MR. EATON: No.

19 CHAIRMAN GETZ: They will be admitted  
20 into evidence. Opportunity for a closing statement? Ms.  
21 Hatfield.

22 MS. HATFIELD: Thank you, Mr. Chairman.  
23 The OCA wishes to thank the parties and Staff for the work  
24 on developing this Settlement Agreement. And, we

{DE 08-135} {10-06-09}

1 particularly want to thank the Home Builders Association  
2 for taking the time to participate in the docket, because  
3 they brought a perspective and some expertise that we  
4 certainly didn't have. And, we think it was helpful in  
5 reaching a final settlement that we think is fair and  
6 meets the goals that were discussed today. Thank you.

7 CHAIRMAN GETZ: Thank you. Mr. Buck.

8 MR. BUCK: Thank you, Mr. Chairman. We  
9 concur with Ms. Hatfield that we certainly extend our  
10 appreciation to the parties to work with us as an  
11 intervenor. Our main concern from the outset was, number  
12 one, this is, as was stated earlier by Ms. Bisson, a  
13 complete change in a 20 [30?] year held policy, and  
14 therefore would be quite a shock to the building industry,  
15 and, indeed, the home buyer, the prospective home buyer,  
16 with the potential changes in cost of housing. And,  
17 certainly, the willingness of the parties to agree to a  
18 phase-in is going to make it much easier for an industry  
19 that is still, quite frankly, in a depreciation to absorb  
20 this moving forward. And, we certainly concur with others  
21 and ask for your agreement and approval of this.

22 CHAIRMAN GETZ: Thank you.

23 MR. BUCK: Thank you.

24 CHAIRMAN GETZ: Ms. Amidon.

1 MS. AMIDON: Thank you. This filing was  
2 made pursuant to an agreement by PSNH to, in its last rate  
3 case, to align, more closely align the costs and revenues  
4 associated with its line extensions. And, in the 11  
5 months since PSNH made this filing, the parties and the  
6 Staff have really thoroughly investigated it and resolved  
7 several issues that I think needed to be resolved pursuant  
8 to the Settlement Agreement back in the 2006 rate case.  
9 We support the Settlement Agreement and urge the  
10 Commission to approve it.

11 CHAIRMAN GETZ: Thank you. Mr. Eaton.

12 MR. EATON: Thank you, Mr. Chairman. I  
13 agree with what the other parties have said, including  
14 what Mr. Buck said, considering this is a well-established  
15 policy that's been in place for decades, and it was a  
16 rather significant change we were making. I think, thanks  
17 to his organization's urging, we're probably satisfying  
18 the requirement of gradualism in rate changes, and so that  
19 this comes in over a period of years, and that the  
20 industry will learn about it over that time. And,  
21 hopefully, the industry -- we all hope the industry will  
22 rebound. And, at the end of this period, this will be  
23 accepted by all participants and by customers who are in  
24 charge of arranging their own construction.

1                   So, we support the Settlement. We  
2 think, over time, this will mean that we will recover our  
3 costs from these, from new line extensions, and that it  
4 will be just and reasonable for all customers.

5                   CHAIRMAN GETZ: Okay. Thank you. Then,  
6 we'll close the hearing and take the matter under  
7 advisement.

8                   (Whereupon the hearing ended at 10:48  
9 a.m.)

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