

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
D/B/A EVERSOURCE ENERGY
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
INVESTIGATION INTO LINE EXTENSION POLICIES

Docket No. IR 14-190

1 **Q. Please state your name, business address and position.**

2 A. My name is Christopher J. Goulding. My business address is 780 North Commercial
3 Street, Manchester, NH. I am employed by Eversource Energy as the Manager of New
4 Hampshire Revenue Requirements and in that position I provide service to Public Service
5 Company of New Hampshire d/b/a Eversource Energy (“Eversource” or the “Company”).

6 **Q. Have you previously testified before the Commission?**

7 A. Yes, I have.

8 **Q. Please describe your educational background.**

9 A. I graduated from Northeastern University in Boston, MA in 2000 with a Bachelor of
10 Science in Business Administration with a concentration in Accounting and from Boston
11 College in Chestnut Hill, MA in 2009 with a Master’s in Business Administration.

12 **Q. Please describe your professional experience.**

13 A. Upon graduation from Northeastern University, I was hired by Eversource affiliate,
14 NSTAR Electric & Gas Company, and have held various positions in Accounting,

1 Corporate Finance and Regulatory with increasing responsibility through my current
2 position as Manager of New Hampshire Revenue Requirements.

3 **Q. What are your current responsibilities?**

4 A. I am currently responsible for the coordination and implementation of revenue
5 requirements calculations for Eversource, as well as the filings associated with
6 Eversource's Energy Service ("ES") rate, Stranded Cost Recovery Charge ("SCRC"),
7 Transmission Cost Adjustment Mechanism ("TCAM"), and Alternate Default Energy rate.

8 **Q. What is the purpose of your testimony?**

9 A. On April 2, 2015, the Commission Staff filed a recommendation in this docket on its
10 suggested or proposed revisions to the line extension policies of Eversource, Unitil and
11 Liberty. Eversource submitted a response to that recommendation on May 5, 2015. The
12 purpose of my testimony is to discuss the matters covered in the recommendation and
13 response, and related matters concerning Eversource's line extension policy.

14 **Q. Please describe the Company's current line extension policy.**

15 A. Consistent with a settlement agreement in Docket No. DE 08-135 and Order No. 25,046
16 (November 20, 2009) approving the settlement, for single-phase line extensions for
17 residential customers, Eversource bills the customer for the cost of the extension on an
18 annually updated cost-per-foot basis and the customer is required to pay the cost in full
19 upfront prior to construction. The cost-per-foot amounts specified in Eversource's tariff
20 for underground and overhead extensions are updated annually and represent a rolling

1 three-year average of Eversource's actual costs of construction. Not included in the bill to
2 the customer is the cost of a service drop of up to 125 feet. For all other customers, the
3 cost for the extension is based upon Eversource's estimated costs of construction and must
4 be paid in full upfront prior to construction. Regardless of the customer, Eversource does
5 not allocate any portion of the initial construction cost to any subsequent customers who
6 take service off of the extension.

7 **Q. Please describe your understanding of the Staff proposal.**

8 A. Under the Staff proposal several things in Eversource's policy relating to single-phase line
9 extensions for individual residential customers involving line extensions along a public
10 way would change. First, rather than providing each customer a service drop of up to 125
11 feet at no charge, the proposal would require that the customer would receive "one pole
12 and a service drop" of up to 300 feet total at no cost. In addition, rather than have all
13 customers pay the full cost upfront, only residential customers with line extensions costing
14 \$3000 or less would be required to pay in full. For those costing more than \$3000, the cost
15 would be paid over time with interest, for a period of up to 5 years. Additionally, for any
16 line extensions, regardless of costs, those costs would be apportioned to subsequent
17 customers making use of the extension during the first 5 years following its construction,
18 provided that the initial customer notifies the utility of the subsequent customer's intended
19 use. Eversource understands that its policies relating to line extensions other than single-
20 phase line extensions for individual residential customers would not be affected by the
21 Staff's recommendation.

1 **Q. Taking these recommendations in the order you have presented them, what would be**
2 **the effect on Eversource from the change to the length provided to customers at no**
3 **cost?**

4 A. As Eversource noted in its response comments, the Company does not support this
5 recommendation because it would result in an increase of approximately \$800,000 per year
6 in the costs that the Company must absorb because it would no longer be charging those
7 costs to the customers causing them. Also, under present rates Eversource estimates that it
8 takes approximately 5 years to recover the "no cost" portion of the line extensions. Should
9 the distance be increased, the recovery period would rise to approximately 11 years for
10 underground extensions and nearly 15 years for overhead extensions, and would mean that
11 all customers are subsidizing line extensions for individual customers for many years.

12 **Q. How did the Company determine that the change in the "no cost" portion of the line**
13 **would result in an additional \$800,000 in costs?**

14 A. The Company compiled a list of the work orders for line extensions on public ways that
15 had been requested to bring service to single residential sites in 2013 and 2014, and which
16 included the amount of billing rendered. From those, the Company calculated the billed
17 cost of a 175 foot line extension in each of those years to determine the value by which the
18 actual billing would have been reduced because the amount of line installed at "no cost" to
19 the customer would have gone up to 300 feet. In both 2013 and 2014 actual billing to the
20 customers would have been reduced by over \$800,000.

1 **Q. Similarly, how did the Company calculate the time for the cost recovery?**

2 A. Based on a presumption of a residential customer using 700 kWh/month, we compared the
3 Net Present Value of five years of distribution revenue against the cost of providing a 125
4 foot overhead service drop, a 125 foot foot underground service drop, and 300 feet total
5 (including service drop) in order to determine a “payback” period. That analysis showed
6 that the “payback” period for an underground extension would more than double and the
7 one for an overhead extension would essentially triple.

8 **Q. What would it mean for the Company to absorb the costs, rather than individual**
9 **customers?**

10 A. Under the current line extension policy, the “cost causer” is liable for the line extension
11 excluding the service drop. Under the staff recommendation the Company would absorb
12 the cost of the line extension for up to an additional 175 feet. These costs would be borne
13 by the Company in between rate cases and then would be included in the Company’s rate
14 base during a rate case and paid for by all customers on an ongoing basis. Also, the funds
15 spent on these line extensions for individual customers could result in less money spent on
16 other capital projects which would benefit large groups of Eversource customers.

17 In addition, the estimates that the Company has right now are based on historical numbers.
18 As the economy improves and construction increases, the impact will likely rise.
19 Eversource believes that the 125 foot length in the present policy should be retained.

1 **Q. With respect to the line extensions costing \$3000 feet or less, how would the Company**
2 **address that recommended item?**

3 A. As noted in the Company's comments, and in this testimony, Eversource supports having
4 the costs covered by the cost causers. Having line extensions of \$3000 or less be paid in
5 full is consistent with that position and Eversource's current policy. Therefore, the
6 Company supports that recommendation.

7 **Q. On the line extensions costing more than \$3000 and the proposal to allow customers**
8 **to pay over time, what is the Company's position?**

9 A. Eversource is essentially neutral on this item. Eversource tends to have few single-phase
10 residential line extensions that cost more than \$3000 in any year. In 2013 there were 94
11 and in 2014 there were 150. Therefore, the Company does not believe it would be
12 especially burdensome to implement such a payment system if the Commission orders it.

13 **Q. If the Commission orders the payments to be collected over time, how would that be**
14 **implemented?**

15 A. The details would need to be worked out, but, in general, Eversource would propose using
16 on-bill financing so that a customer would have a line extension charge included with the
17 regular bill for electric service. Eversource would look to include a requirement in the
18 tariff or in a contract for the line extension stating that if the initial customer that requested
19 the extension moves or terminates service before the payback period is complete, the
20 remaining balance would be due at that time. Also, consistent with the Staff

1 recommendation, Eversource would apply interest on the unpaid amounts at the same rate
2 as the Commission's customer deposit rate.

3 **Q. What is the Company's position on the recommendation that the cost of the line**
4 **extension be reallocated over time if subsequent customers take service on that line?**

5 A. Again, one of the reasons for having changed the policy years ago was to avoid the
6 administrative burden of having to track and reallocate costs. Nevertheless, Eversource
7 would do so if the Commission determines that it should be done.

8 **Q. How would the Company propose to implement this recommendation if ordered?**

9 A. For the residential, single-phase, public-way extensions covered by the recommendation, if
10 the initial customer notifies Eversource that a subsequent customer will be taking service
11 from a line paid for by the initial customer during the five-year period following
12 construction of the line, Eversource would reallocate the costs between them. This
13 reallocation would only occur if the initial customer notifies the Company about the
14 subsequent customer prior to the subsequent customer requesting service. That way, the
15 costs to the new customer can be accurately determined and provided to the new customer
16 at the time that service on the line extension is actually requested.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.