APPENDIX II-B

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

FIS Number ______________ Rule Number **Puc 1604.07(t)**

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

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

6. Contact Person:

Name:	**Rorie Patterson**	Title:	**Staff Attorney**
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			TYY/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.

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(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 utlities 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.