

**THE STATE OF NEW HAMPSHIRE**  
**before the**  
**PUBLIC UTILITIES COMMISSION**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**  
**REQUEST FOR APPROVAL OF NEW LINE EXTENSION POLICY**

Docket No. DE 08-135

**Settlement Agreement**

This Settlement Agreement is entered into this 18<sup>th</sup> day of September, 2009, between the Staff of the Public Utilities Commission ("Staff"), the Office of Consumer Advocate ("OCA"), the Homebuilders & Remodelers Association of New Hampshire ("HBRANH") and Public Service Company of New Hampshire ("PSNH" or "the Company") (all hereinafter referred to collectively as "the Settling Parties"). This Settlement Agreement resolves all issues regarding PSNH's request for approval of a new line extension policy in this proceeding.

**A. INTRODUCTION**

In the Settlement Agreement approved by the Commission in PSNH's last Delivery Service rate proceeding in Docket No. DE 06-028, the Parties and Staff agreed to review the cost of initiating service to new customer locations as compared to the distribution revenue to be received from these customers, with the purpose of developing a line extension policy to better align the costs and revenues related to the provision of service to new customer locations. A report summarizing the results of this review was filed with the Commission on November 1, 2007 on behalf of the OCA, the Staff and PSNH. In this report, PSNH indicated it would make a filing with the Commission in 2008 seeking approval of a new line extension policy as summarized in the November 1, 2007 report to the Commission.

On November 3, 2008, PSNH filed with the Commission a request to approve tariff language supporting a new line extension policy for residential and small business customers receiving delivery service under General Delivery Service Rate G or General Time of Day Delivery Service Rate G-OTOD accompanied by the written testimony of Rhonda J. Bisson. PSNH requested approval of the tariff language by January 2, 2009 and proposed an effective date of March 1, 2009.

On November 26, 2008, the Commission suspended the tariff pages filed on November 3, 2008 in order to conduct a thorough investigation before rendering a decision and scheduled a prehearing conference, immediately followed by a technical session on December 22, 2008. The prehearing

conference and technical session scheduled for December 22, 2008 was subsequently postponed to February 5, 2009. At the prehearing conference, the Commission granted HBRANH full intervenor status in this proceeding.

The Settling Parties met in technical session March 25, 2009 which included a discussion of a possible settlement of this docket. PSNH distributed a settlement discussion document on April 2, 2009 and further settlement discussions took place by telephone on April 8, 2009 and at a meeting on July 28, 2009, which resulted in the Settling Parties reaching this agreement on a new line extension policy for residential and small business customers.

## **B. SETTLEMENT OF LINE EXTENSION POLICY**

The Parties recommend the Commission approve the new line extension policy for residential and small business customers receiving delivery service under PSNH's General Delivery Service Rate G or PSNH's General Time of Day Delivery Service Rate G-OTOD as described in the Testimony of Rhonda J. Bisson except as amended by this Settlement Agreement and described below.

The Settling Parties agree to phase-in (over a three year period) the implementation of the average cost per foot charges that will be utilized to determine line extension costs in order to lessen the impact of the proposed line extension policy on customers who request line extensions. In addition, the Settling Parties agree to update the methodology that will be utilized to calculate the average cost per foot charges by construction type after the three year phase-in period is complete. The updated methodology will utilize larger sample sizes to calculate the average cost per foot charges and will result in average cost per foot charges that more accurately reflect the average cost per foot of distribution facilities, not including the cost of an overhead or underground service drop.

**1. Calculation of Line Extension Construction Costs.** Beginning on the effective date of the tariff the amount that PSNH will charge customers for construction costs of line extensions will be calculated as follows:

### **a. Distribution Facilities Provided by the Company at No Charge to the Customer.**

There shall be no separate charge for a pole-mounted transformer which the Company determines is needed to adequately serve a customer's load, or for an overhead or underground service drop. An overhead service drop is the final span of cable providing secondary voltage to a customer's meter or point of attachment location, whichever is applicable, from a utility pole. The maximum length of an overhead service drop is determined by the characteristics of the customer's load and the terrain over

which the overhead service drop passes. An underground service drop is the final run of cable providing secondary voltage to a customer's meter from a transformer or from a secondary conductor located on the Company's distribution system. If the length of the final run of cable is greater than 125 feet, then the length of the underground service drop will be deemed to be 125 feet in the calculation of line extension construction cost.

**b. Overhead Single-Phase Facilities.** The line extension construction cost shall be derived by multiplying the length of the distribution facilities by the appropriate average cost per foot figure from the table below. The length of the distribution facilities shall be based on the length of single-phase primary and secondary line to be installed, excluding the length of the secondary line to be installed for any overhead service drops as defined in paragraph (B)(1)(a).

<u>Effective Dates</u>	<u>Average Cost per Foot</u>
Effective Date of Tariff – March 31, 2011	\$8.40
April 1, 2011 – March 31, 2012	\$9.90
April 1, 2012 – March 31, 2013	\$11.40

From April 1, 2013 forward, the average cost per foot will be determined using the methodology described in Paragraph 2 below.

**c. Overhead Three-Phase Facilities.** The line extension construction cost shall be derived based on the customer-specific job requirements and shall include all costs related to the construction of the distribution facilities, including but not limited to design and inspection and construction labor; researching and recording easements; materials; traffic control; tree trimming; blasting and overheads. The construction cost associated with any overhead service drops as defined in paragraph (B)(1)(a) shall be excluded from the construction cost.

**d. Underground Single-Phase Facilities.** The line extension construction cost shall be derived by multiplying the length of the distribution facilities by the appropriate average cost per foot figure from the table below and adding the result to the excess cost of any padmounted transformers to be installed. The length of the distribution facilities shall be based on the length of single-phase primary and secondary line to be installed, excluding the length of secondary line to be installed for any underground service drops as defined in paragraph (B)(1)(a). The excess cost of a padmounted transformer is the amount by which the cost of a padmounted transformer exceeds the cost of an equivalent pole-mounted

transformer. The Company will determine the excess cost on the basis of average cost formulas consistently and equitably applied to all underground installations.

<u>Effective Dates</u>	<u>Average Cost per Foot</u>
Effective Date of Tariff – March 31, 2011	\$11.46
April 1, 2011 – March 31, 2012	\$13.08
April 1, 2012 – March 31, 2013	\$14.71

From April 1, 2013 forward, the average cost per foot will be determined using the methodology described in paragraph 2 below.

**e. Underground Three-Phase Facilities.** The line extension construction cost shall be derived based on the customer-specific job requirements and shall include all costs related to the construction of the distribution facilities, including but not limited to design and inspection and construction labor; researching and recording easements; materials; traffic control; tree trimming; blasting; overheads and the excess cost of any padmounted transformers to be installed. The construction cost associated with any underground service drops as defined in paragraph (B)(1)(a) shall be excluded from the construction cost. The excess cost of a padmounted transformer is the amount by which the cost of a padmounted transformer exceeds the cost of an equivalent pole-mounted transformer. The Company will determine the excess cost on the basis of average cost formulas consistently and equitably applied to all underground installations.

**2. Methodology to Calculate the Average Cost per Foot by Construction Type After March 31, 2013 .** 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) will be made to the actual cost of each 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).

**a. Inflation Adjustment.** The actual cost of each line extension completed during 2010 (Year 1) and 2011 (Year 2) will be adjusted for inflation for each year using the actual annual average inflation factor equal to the Consumer Price Index, all urban consumers, northeast region, all items, not seasonally adjusted, as published by the Bureau of Labor Statistics of the U. S. Department of Labor (CPI) so that the cost of line extensions completed in 2010 (Year 1) and 2011 (Year 2) more closely represents the costs in 2012 (Year 3). Specifically, the Year 1 costs will be adjusted by the CPI for Year 2 and the CPI for Year 3, and the Year 2 costs will be adjusted for the CPI in Year 3. In subsequent years, a similar process will be followed to adjust line extension costs for the first two years of the three year period.

**b. Service Drop Adjustment.** For overhead single-phase line extensions and underground single-phase line extensions that include a service drop, the actual cost of the line extension will be reduced by the cost of an overhead single-phase service drop ("Single-Phase Service Drop Cost") and the total length of the distribution facilities will be reduced by 125 feet. The initial Single-Phase Service Drop Cost will be \$464 (which is the current installed cost of a single-phase overhead service drop of 125 feet in length) and will be in effect for the period January 1, 2010 (or the effective date approved by the Commission) through March 31, 2011. The Single-Phase Service Drop Cost will be updated in March 2011 based on the costs in effect at that time of installing an overhead single-phase service drop of 125 feet in length as part of a job route containing multiple service installations. The updated Single-Phase Service Drop Cost will take effect on April 1, 2011 and shall be updated annually in March thereafter for effect on the following April 1.

For overhead three-phase line extensions and underground three-phase line extensions that include a service drop, the actual cost of the line extension will be reduced by the cost of an overhead three-phase service drop ("Three-Phase Service Drop Cost") and the total length of the distribution facilities will be reduced by 125 feet. The initial Three-Phase Service Drop Cost will be \$627 (which is the current installed cost of a three-phase overhead service drop of 125 feet in length) and will be in effect for the period January 1, 2010 (or the effective date approved by the Commission) through March 31, 2011. The Three-Phase Service Drop Cost will be updated in March 2011 based on the costs in effect at that time of installing an overhead three-phase service drop of 125 feet in length as part of a job route containing multiple service installations. The updated Three-Phase Service Drop Cost will take effect on April 1, 2011 and shall be updated annually in March thereafter for effect on the following April 1.

**3. Reporting of Average Cost per Foot Figures by Construction Type:** Beginning in 2013, PSNH will provide a report to the Settling Parties in this docket by March 1 of each year that summarizes the following by construction type: (1) the sum of the Adjusted Line Extension Costs; (2) the Sum of the Adjusted Line Extensions Lengths; (3) the average cost per foot; and (4) the number of line extensions that were included in the calculation of the average cost per foot by calendar year.

## **C. MISCELLANEOUS PROVISIONS**

The Settling Parties agree to the following miscellaneous provisions:

**1. Binding on Settling Parties.** The Settling Parties agree to support the terms and conditions contained herein. The Settling Parties understand that this Settlement Agreement is subject to Commission approval.

**2. Integrated Terms of Settlement.** This Settlement Agreement represents an integrated resolution of issues. Accordingly, the effectiveness of this Settlement Agreement is conditioned upon the Commission adopting this Settlement Agreement in its entirety, without condition or modification. If the Commission does not approve this Settlement Agreement in its entirety and without modification or condition, the Settling Parties shall have an opportunity to amend or terminate this Settlement Agreement. If terminated, this Settlement Agreement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or be used for any purpose.

**3. Procedure.** The Settling Parties shall cooperate in submitting this Settlement Agreement promptly to the Commission for approval so that it may be implemented on January 1, 2010. The Settling

Parties shall make a witness or witnesses available as necessary to answer questions in support of this Settlement Agreement, or provide such other indication of support as the Commission requests. The Settling Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Agreement and to supplement the record accordingly.

**4. Execution.** This Settlement Agreement may be executed by the Settling Parties in several counterparts, through original and/or facsimile signature, and as executed shall constitute one agreement.

**5. Confidentiality.** The discussions which led to this Settlement Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

**WHEREFORE**, the Settling Parties recommend that the Commission issue an order approving a new line extension policy for residential and small business customers as described in the Testimony of Rhonda J. Bisson and as amended by this Settlement Agreement and the tariff pages attached hereto for effect on or after January 1, 2010.

Respectfully submitted,

**Staff of the Public Utilities Commission**

By: \_\_\_\_\_

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Staff Counsel

**Office of Consumer Advocate**

By: \_\_\_\_\_

Meredith A. Hatfield  
Consumer Advocate

**Homebuilders & Remodelers Association of NH**

By: \_\_\_\_\_

Kendall L. Buck  
Executive Vice President

**Public Service Company of New Hampshire**

By: \_\_\_\_\_


Gerald M. Eaton, Esq.  
Senior Counsel




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