

STATE OF NEW HAMPSHIRE

Inter-Department Communication

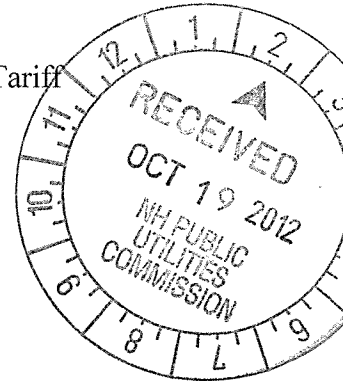
DATE: October 19, 2012

AT (OFFICE): NHPUC

FROM: Amanda O. Noonan, Director, Consumer Affairs Division
Thomas Frantz, Director, Electric Division *TF*

SUBJECT: Petition of Jim Snyder Regarding PSNH's Line Extension Tariff

TO: Commissioners
Executive Director



On October 9, 2012, Jim Snyder, a PSNH customer from Canterbury, NH, petitioned the Commission regarding the cost of extending an electric line on a Class 5 road. In his petition, Mr. Snyder states that he believes it is unfair for individual customers to bear the cost of extending utility infrastructure, in this case a line extension, down a public road and such costs should be borne by all customers as a group. Mr. Snyder argues that a line extension is an investment in the utility's infrastructure which benefits the utility and all customers and therefore is more properly shared among all customers. Mr. Snyder also points to the inequity of one customer paying the entire cost of extending service while potential future customers receive the benefit.

Prior to submitting his petition to the Commission, Mr. Snyder first contacted the Commission's Consumer Affairs Division on July 6, 2012 regarding an estimate that PSNH had provided to him for the cost of extending service along a public road to provide service to a home being constructed at 115 Asby Road, Canterbury, NH. The Consumer Affairs Division reviewed PSNH's tariffed charge for line extensions with Mr. Snyder. Mr. Snyder requested a conference in accordance with NH Code of Administrative Rules Puc1203.17.

On July 24, 2012, a conference was conducted to discuss the line extension tariff and Mr. Snyder's concerns. Attending the conference were Tom Frantz, Amanda Noonan and Janet Quint on behalf of the Commission Staff; Stephen Hall, Karen Mackey, Joshua Mazzei and Karl Douglas on behalf of PNSH; and Jim Snyder. PSNH's line extension tariffed was reviewed, and the changes to PSNH's tariff for line extensions that were approved in Order 25,046 in DE 08-135 were also discussed. Mr. Snyder stated that it was his position that an individual customer should not be responsible for bearing the cost of a utility infrastructure investment as the utility and all other customers benefit from the investment. During the discussion, PSNH indicated that it would review the average cost per foot used to assess line extension costs to determine if the cost included

the cost of setting poles. As this particular extension was being requested in a FairPoint pole maintenance area, there was a question as to whether the costs of the extension were overstated.

On August 22, 2012, PSNH provided the attached response to Mr. Snyder, indicating that, while the cost of setting poles is included in the per foot cost charged for line, PSNH does incur a cost for setting poles regardless of whether the pole being set is in PSNH's pole maintenance area or FairPoint's pole maintenance area. After receiving PSNH's response, Mr. Snyder submitted his petition for the Commission's consideration.

Staff does not oppose Mr. Snyder's petition; however, it takes no position on the issues raised. Given the comprehensive nature of the settlement negotiations in DE 08-135, Staff believes it is appropriate to allow the parties to that settlement an opportunity to comment on Mr. Snyder's petition.



**Public Service
of New Hampshire**

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The Northeast Utilities System

August 22, 2012

Mr. James Snyder
125 Asby Rd
Canterbury, NH

Dear Mr. Snyder:

On July 24, 2012, PSNH and the NHPUC Staff met with you at the NHPUC's offices to discuss your request for electric service at 115 Asby Rd, Canterbury, NH. You've requested from PSNH a line extension to be built at an estimated length of 1,029 feet in a location where Fairpoint Communications is responsible for the pole set/maintenance area.

During the meeting, we discussed the fact that the line extension is in a Fairpoint pole set area. You commented that if the average cost per foot that PSNH uses to assess line extension costs to customers included the cost of setting poles, that cost may be overstated in a situation where PSNH is not responsible for setting the poles. Following up on that discussion, I agreed that PSNH would analyze how it determined the per foot cost and, if appropriate, would discuss with the NHPUC Staff and the OCA the possibility of a filing with the NHPUC to amend PSNH's policy. The rationale that we discussed was that if the per foot cost PSNH charges for line extensions includes the cost of setting poles, and if PSNH did not incur any cost for setting poles in Fairpoint's pole set area, there could be the basis for "unbundling" the cost of line extensions to exclude the cost of setting poles if PSNH did not incur such costs.

We have completed our examination of the determination of the per foot cost charged for line extensions. Our analysis has shown that the cost of setting poles is included in the per foot cost charged for line extensions¹. We also have determined that PSNH does incur a cost for setting poles regardless of whether the pole is in PSNH's pole set area or in Fairpoint's pole set area.

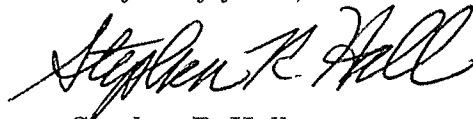
¹ The per foot cost currently charged for line extensions is a negotiated amount which is being phased in over a three year period pursuant to a settlement reached with the NHPUC Staff, OCA and the Home Builders and Remodelers Association of New Hampshire. Since the cost will not be the full amount until phase in is complete in April 2013, PSNH is not currently recovering all of the cost of a line extension.

PSNH and Fairpoint are parties to a Joint Pole Ownership Agreement which governs the relationship between the owners of poles. The Joint Pole Ownership Agreement has various operating procedures called Intercompany Operating Procedures (IOPs) covering specific aspects of pole ownership and maintenance. One of those, IOP #12 – Flat Rate Billing, outlines reciprocal billing for pole installation. As stated in paragraph 2 of IOP #12 (attached hereto), the party that installs the pole bills the other party \$620 for each pole that is installed. Therefore, PSNH incurs a cost of \$620 whenever Fairpoint installs a pole that is used by both parties. Conversely, when PSNH installs a pole, Fairpoint is charged \$620 by PSNH.

Based on our review of the manner in which costs for pole installation are incurred, we have concluded that there is no justifiable basis for PSNH to unbundle its per foot line extension charges. The cost of pole installation is incurred regardless of which entity installs the pole. While I was hopeful that our analysis might reveal the potential for improving our line extension policy and a better allocation of costs, the results indicate otherwise. Therefore, PSNH will not be seeking a modification to its line extension policy from the NHPUC.

I hope that this letter has clarified the analysis that we performed and provided you with the reasoning behind our conclusions. If you have further questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Stephen R. Hall". The signature is fluid and cursive, with the first name "Stephen" being the most prominent.

Stephen R. Hall
Rate & Regulatory Services Manager

Cc: Amanda Noonan
Tom Frantz

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
AND
NORTHERN NEW ENGLAND TELEPHONE OPERATIONS, LLC
D/B/A FAIRPOINT COMMUNICATIONS**

IOP #12 - FLAT RATE BILLING

EFFECTIVE September 1, 2011

1. This procedure outlines the Flat Rate Reciprocal Billing Agreement reached among the Joint Owners. These rates may be reviewed by request of either co-owner on an annual basis.
2. In order to establish standardized costs, a flat rate reciprocal billing amount of \$ 620.00 per pole, will take effect on the date of this agreement. This rate will be applied to all poles placed on or after that date, regardless of size.
3. In the event that additional height beyond a standard pole is to be for the exclusive use of a single utility, the rate for that utility will be increased by \$106.00 per 5 ft of the affected pole. When these poles are replaced for any reason, joint-owner space requirements will be evaluated and billing for the replacement will be based on the agreed allocation.
4. When an anchor is set solely for the benefit and use of one company, such as for service/subscriber poles, the anchor will be billed at the flat rate of \$480.00.
5. Pole removals will be billed at a 1/2 rate amount of \$275.00. Upon mutual agreement of the joint owners, in the event that a party which is not responsible, removes a pole, the removing party will bill the joint owner at the full flat rate.
6. Billing will not occur for plant sacrifice, shifting and straight removal transactions.
7. When one company desires to purchase interest in an existing non-joint pole, the following billing procedure based on set date, will apply:
 - a. For poles 20 or less years old, billing will be at the current flat rate reciprocal billing amount.
 - b. For poles more than 20 years old, no billing will occur.